





## High Toll Is Reported In Sri Lanka Offensive Against Tamil Rebels

By Steven R. Weisman  
New York Times Service

COLOMBO, Sri Lanka — The Sri Lankan armed forces pressed a major offensive against Tamil insurgent strongholds in the north over the weekend, amid reports that hundreds of people had died in fighting and bombardment during the week.

Military analysts called the fighting the bloodiest and most important in Sri Lanka's four-year ethnic conflict.

The army was said to be trying to wipe out rebel military bases, kill guerrilla leaders and secure perhaps a third of the Jaffna peninsula in the north. The peninsula is dominated by Tamils, who want to set

up an independent nation in the north and east.

The government has said that since the offensive began Tuesday, nearly 200 people have been killed, three-quarters of them Tamil guerrillas. The government announced Sunday that soldiers had found 17 bodies at a Hindu temple, raising the official civilian death toll to 37. Tamil spokesmen here and in India, where several guerrilla groups have their political bases, said that as many as 1,000 civilians died last week in helicopter and airplane bombardments, especially in and around the city of Jaffna, which has a population of 800,000.

It was difficult to independently verify any of the reports because journalists have largely been barred from the north.

As the fighting continued in the peninsula just west of the town of Point Pedro, Sri Lanka's foreign minister, A.C.S. Hameed, denied a charge by India that the government had killed civilians in what he called "carpet bombing" of Jaffna and the surrounding area.

He said the government had neither the means nor the intention of carrying out such dense bombing. Earlier, Prime Minister Rajiv Gandhi of India, who has been trying to mediate a political solution to the conflict since 1985, appealed for restraint by Sri Lanka and was reportedly angry that his appeals were being ignored.

Indian officials, who are under some public pressure to intervene, perhaps even militarily, on behalf of the Tamils, warned that the widening war was making the region vulnerable to "external influences."

Responding to the Indian charges, Mr. Hameed said it was Sri Lanka that was trying to eliminate outside influences but was being thwarted by India from taking "legitimate steps" against the Tamil insurgency.

Sri Lanka has repeatedly accused India of providing arms, political support and sanctuary to the guerrillas. The heated exchange appeared to eliminate chances of an early settlement or even of negotiations between the government and the Tamil insurgents.

About 16 million people live in Sri Lanka, off the southern tip of India. Three quarters of them are ethnic Sinhalese, Buddhists who speak the language of Sinhalese.

The Tamils, who make up less than 20 percent of the population on the island, are Hindus. They feel a kinship with the 50 million Tamils in the southern Indian state of Tamil Nadu.



Singapore police arresting Joshua B. Jeyaretnam, center, leader of the Workers' Party.

## Singapore Arrests 3 Opponents

Party Chief, 2 Members Protested Seizure of 16 Suspects

By Michael Richardson  
International Herald Tribune

SINGAPORE — A prominent opposition leader and two members of his party were arrested this weekend as they held a protest outside the president's official residence over the detention without charge of 16 suspected Communists by the Singapore government.

The police said that Joshua B. Jeyaretnam, secretary-general of the Workers' Party, and two colleagues were taken into custody Saturday for attempting to hold an assembly without a permit and obstructing the police. The three were later released, the police said, after each agreed to pay personal bond.

They held their protest outside the residence of President Wee Kim Wee. Prime Minister Lee Kuan Yew has his office in the same compound.

Four of the 16 persons detained on May 21 had links with the Workers' Party. The 16 were held for alleged involvement in a Communist conspiracy to infiltrate and subvert church, student and other legally established organizations.

Mr. Jeyaretnam said at a press conference last week that his party "has never been, and will not allow

itself to be, used by anybody for any subversive purpose or objective that will be harmful to society."

He asserted that the detention of the 16 was intended to intimidate Singaporeans so that they would not support any political party other than the governing People's Action Party, which has been in power since 1959.

In a statement published in the Singapore press on Saturday, the Ministry of Home Affairs said that the Workers' Party had been infiltrated three times by Communists since it was formed in 1957.

It said that 4 of the 16 had given assistance to the Workers' Party in the last general elections, in 1984.

It further alleged that two of them had gradually maneuvered themselves into positions of influence in the party and captured control of the party paper, "which they saw as a useful medium to disseminate anti-government propaganda and influence public opinion against the government."

Mr. Jeyaretnam, a long-time political foe of Prime Minister Lee, was one of two opposition members in Singapore's 79-seat Parliament. He lost his seat in November after a court jailed him for a month

and fined him for making a false declaration in his party's accounts.

The 16 were taken in for questioning under the Internal Security Act, which allows authorities to detain suspected political or religious radicals indefinitely without trial.

Two of the 16 are Malaysians. The rest are Singaporeans.

Their detention prompted expressions of concern from lawyers' associations and other groups in Singapore and Malaysia. They have asked the government to charge the suspects in court or free them.

Param Cumaraswamy, chairman of the Malaysian Bar Council, said in a telegram to the Home Affairs Ministry in Singapore: "On behalf of 2,300 Malaysian lawyers I appeal to you to charge the 16 in court if they had committed an offense. Otherwise, in the name of justice, please release them unconditionally."

The council of the Singapore Law Society called on the government to complete investigations as quickly as possible and either release or charge Teo Soh Lung, one of the detainees. She is lawyer and council member.

Ten of the 16 were Roman Catholic Church workers. The Reverend Edgar K. D'Souza, a priest who acts as press liaison officer for Archbishop Gregory Yong of Singapore, said in a statement on Wednesday that if any of the 16 had admitted the charges made against them while in detention, "we wish to know if these confessions and admissions have been given under any form of duress, coercion, intimidation, threat, fear or inducement."

Some Singaporeans privately expressed skepticism that those detained had the ability to cause trouble.

A diplomat said he felt that the government still had to prove beyond reasonable doubt that all 16 detainees were seeking social and political change by unconstitutional means.

Tan Wah Piew, a former Singapore student leader now in Britain, has denied an accusation by the Home Affairs Ministry that he was the "mastermind" behind the Communist plot to subvert the island state.

In an interview with Reuters, he was quoted as saying: "I don't believe that Singapore can ever, or should ever, be a Communist state. I believe in bringing changes within the rule of law."

Mr. Tan was wanted in Singapore under the Internal Security Act. He is studying law at Oxford University.

He told the Sunday Times, a Singapore newspaper, that he had been informed last week by Singaporean authorities that he had 21 days to appeal against removal of his citizenship because he had been away from the country more than 10 years.

Mr. Tan was arrested in Singapore in 1974 for unlawful assembly and rioting. He was later convicted and sentenced to 12 months' imprisonment.

The Ministry of Home Affairs said he went to Britain in 1976 on a Singapore passport with a forged renewal endorsement to evade compulsory national service.

The leader of the opposition Panchakorn Thai Party, Samak Sundaravej, recently questioned the official casualty count and called on military officials to explain why soldiers were being sent to Chong Bok "only to be slaughtered."

Since early 1985, the Vietnamese have sought to seal off the 750-mile Thai-Cambodian border with a barrier of cleared land, barbed wire and mines.

But the guerrillas have succeeded in penetrating into Cambodia more deeply and for longer periods than before, diplomats said.

## Thais Press Campaign to Drive Out Vietnamese

By Seth Mydans  
New York Times Service

BANGKOK — In a large hidden conflict in a mountainous border region, Thai and Vietnamese forces are locked in what appears to be their most intense engagement since Vietnam invaded Cambodia more than eight years ago.

Fighting in the Chong Bok area, where the borders of Thailand, Cambodia and Laos intersect, has reportedly continued since January, as Thai soldiers try to dislodge the Vietnamese from entrenched positions just inside Thai territory.

Despite reports of high casualties from Vietnamese artillery and mines, the Thai regional commander recently announced that the offensive would continue until security was restored.

The United States has joined Thailand's Southeast Asian allies in condemning Vietnam's "clear violation of international law" and in calling on Hanoi to withdraw its forces.

A spokesman for the Thai 2d Army, commanded by Lieutenant General Isarapong Noonpakdi, said a road was being built several miles into the rugged area to make it easier to resupply troops and evacuate the wounded.

The Vietnamese occupation of several hills on an important infiltration route from Thailand into Cambodia appears to be part of a largely unsuccessful two-year attempt to seal the border against forces fighting the Vietnamese-backed Cambodian government.

Since the invasion of Cambodia at the end of 1978, its occupying force, now numbering about 140,000 men, has been harassed by guerrillas operating from camps along the Thai border.

Vietnamese troops have often intruded into Thailand. The Thais have fought many small and a few brief, larger battles with the intruders. But previous Thai policy has usually been to ignore Vietnamese incursions into uninhabited areas like Chong Bok.

Diplomats said that this was the first time that Thailand had committed itself to a protracted engagement against entrenched intruders.

On March 21, the army commander, General Chaovalit Yongchaiyut, broke Thai secrecy over the conflict in a visit to the area during which, a diplomat said, "he nailed the flag to the map" and vowed to clear the Vietnamese from Chong Bok.

Thai military officials have since released sketchy and conflicting details about the fighting. Their reports of Thai casualties have ranged from 45 to 72 dead. Western diplomats said the death toll could be in the hundreds.

"There have been battles before in the passes," one diplomat said, "but this one stands apart for the depth and permanence of the Vietnamese penetration and for the Thais' willingness to make a public issue of something that is so costly for them. The Thais are being very tough about it, going in again and again despite heavy casualties."

He said the Vietnamese held the tactical advantage, with trenches and apparently tunnels along the rocky ridges and with well-prepared fields of artillery fire that can saturate the hillsides whenever they are attacked.

A Thai military official estimated that the area had been seeded with more than 100,000 mines.

The Thais have reportedly attacked with artillery and air strikes as well as infantry. The effect on the entrenched Vietnamese is not clear.

In a radio broadcast last weekend, Hanoi said the Chong Bok area was in fact inside Cambodia, and it accused Thailand of carrying out air and ground attacks across the border.

A diplomat said some Vietnamese officers had been captured carrying American maps that show the area to be inside Thailand.

The fighting is taking place in the Nam Yuen district of Ubolratchathani Province in eastern Thailand.

Thai villagers living in scattered settlements within three miles (five kilometers) of the conflict have been evacuated, according to a newspaper account.

The Thai military, after initially making public little information about the fighting, has begun issuing almost daily reports, but correspondents have not been permitted into the battle area.

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## WORLD BRIEFS

### Mitterrand Rejects Falklands Parallel

SAINT PIERRE AND MIQUELON, France (Reuters) — President François Mitterrand was angered by suggestions that France send forces to guarantee fishing rights off these French islands near Canada's province of Newfoundland, presidential aides said Sunday.

During a brief visit to the islands on Friday at the end of a five-day state visit to Canada, Mr. Mitterrand was urged by Albert Pen, a member of the French Senate and mayor of Saint Pierre, to act "with the same firmness" shown by Prime Minister Margaret Thatcher of Britain in defending the Falkland Islands in 1982.

"The parallel with the Falklands is badly placed," Mr. Mitterrand said. He said he had tried to revive negotiations on French fishing rights in Canadian waters but there had been no major progress. However, his aides said he departed from a prepared text to toughen criticism of Canada in response to Mr. Pen's statement.

### Hart-Rice Photo Sold by Her Friend

NEW YORK (NYT) — A friend of Donna Rice, Lynn Armandi, asked for \$25,000 from The National Enquirer for a photograph of Gary Hart with his arm around Miss Rice, according to a person with knowledge of the negotiations.

The photograph, which showed Miss Rice sitting on Mr. Hart's lap with her arm over his shoulders, was published last week on the cover of magazine, less than three weeks after Mr. Hart dropped his presidential campaign amid reports about his relationship with Miss Rice. She is a pharmaceutical sales representative and part-time model and actress.

Miss Armandi had said that for \$50,000 she would sell her exclusive story of the overnight trip that she, Mr. Hart, Miss Rice and another person took to Bimini, the source said. The photograph was taken by Miss Armandi during the trip.

### Seoul Apologizes in Police Cover-Up

SEOUL (Reuters) — The South Korean government has apologized for a police cover-up in the torture and killing of a student activist and renewed a pledge to improve human rights.

Prime Minister Lee Han Key said Saturday in a statement that the government would provide more effective safeguards for human rights to prevent the recurrence of such incidents as the death in January of Park Chong Chol. He warned opposition forces not to exploit the incident and pledged stern punishment for any violence and illegal protests.

On Tuesday, President Chun Doo Hwan dismissed Prime Minister Lee Han Key, three other top cabinet ministers, the national police chief and the head of the state intelligence agency because of the cover-up.

### For the Record

Polish police arrested two Solidarity leaders Saturday in the northwestern city of Szczecin, bringing the total detentions of Solidarity officials to six in two days, relatives of the two men said. (AP)

## TRAVEL UPDATE

### Storm Injures Passengers on QE2

SOUTHAMPTON, England (Reuters) — The newly refitted Queen Elizabeth 2 docked here after what the crew called its stormiest North Atlantic crossing in 15 years. A doctor in the ship's hospital said several of the 1,800 passengers had suffered broken bones.

Winds of up to 50 miles (80 kilometers) an hour rocked the liner, throwing passengers and food across the dining room, crew members said. The ship's captain strapped himself to his chair as the bridge.

Among the passengers were Michel Legrand, the French pianist and composer, who refused to play a scheduled concert after a Stearnway piano flipped over. Crew members said windows were knocked out by flying furniture. The ship docked Saturday.

A Czechoslovak Airlines plane carrying 19 passengers from Prague landed Sunday at Beirut International Airport. It is the second foreign carrier to resume flights since the airport was reopened May 10. (AP)

The United Arab Emirates fifth international airport will open in Fujairah in September. The sixth is under construction. (Reuters)

### This Week's Holidays

Banking hours and government services will be closed or curtailed in the following places this week because of national and religious holidays:

MONDAY: Australia, Bahrain, Bhutan, Cape Verde Islands, Central African Republic, Colombia, Cook Islands, Hong Kong, Ireland, Kenya, Malaysia, Mexico, New Zealand, Saudi Arabia, Venezuela, Western Samoa.

TUESDAY: Bhutan, Malaysia, Tunisia, Western Samoa.

WEDNESDAY: Israel, Malaysia, Western Samoa.

THURSDAY: Tonga.

FRIDAY: Bahamas, Denmark, Equatorial Guinea, Iran, Seychelles.

SATURDAY: Finland, South Korea.

SUNDAY: Finland, France, Sweden, Norway.

Source: Morgan Guaranty Trust Co. Reuters.

## U.S. Air Schedules Altered To Cut Delays at 5 Airports

WASHINGTON — Transportation Secretary Elizabeth H. Dole has announced that several airlines have agreed to adjust schedules at five airports to reduce flight delays this summer.

The schedules, reached after months of negotiations by the airlines, will begin to take effect Monday and will be fully in effect by June 15. They will affect 444 takeoffs and landings. Travelers can check with the airlines to determine if particular flight times have been changed.

The airports affected by the changes are Newark International, Hartsfield International in Atlanta, O'Hare International in Chicago, Dallas-Fort Worth International and Philadelphia International.

The Department of Transportation said that some of the schedule changes were drastic adjustments; most involve changes of only a few minutes and zone more than 30 minutes. No flights were eliminated.

The airlines participating in the flight changes are Air Wisconsin, Braniff, Continental, Delta, Eastern, Jet American, Metro Express, Metro Express II, Metro Flight, Northwest, Pan American, Piedmont, Trans World, United and USAir.

The Atlanta airport will have 231 flight schedule changes, by far the largest number. Thirteen flights will be adjusted at Newark, 13 at Philadelphia, 62 at Dallas-Fort Worth and 125 at O'Hare.

In addition to the 444 changes, which were announced Friday, the Department of Transportation said that some airlines had earlier independently adjusted the schedules for hundreds of other flights.

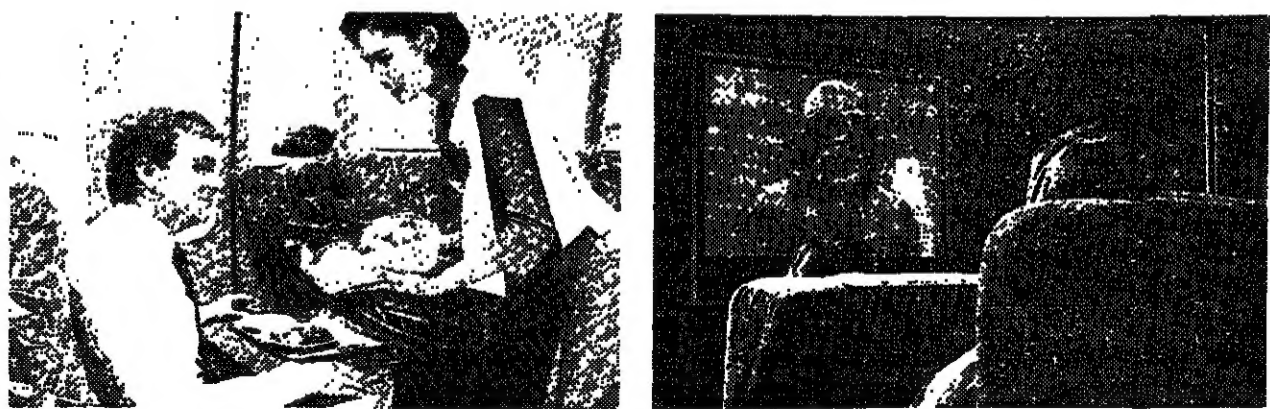
### Correction

Because of editing errors, it was incorrectly stated in the Saturday-Sunday editions that Vincent Cheng, an official with the Roman Catholic Church in Singapore, was suspected of having built up contacts with members of the National Democratic Front in the Philippines. In fact, he is suspected of having ties with the Communist Party of the Philippines. The National Democratic Front is a mass organization that includes both Communists and non-Communists.

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One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.

# THE ROAD TO SUCCESS: HOECHST ENGINEERING FIBRES



The dream highway of the world – the dream of a road straight across the American continent, linking everything along the way – is becoming a reality.

But, in a tropical lowland plain in Colombia, right by the Panamanian border, the dream is turning into a nightmare. Again and again, cloudbursts obstruct the laying of the sub-base and wash away the filling gravel. But the road can be continued – even during heavy rainfall: *Trevira Spunbond*, needlepunched

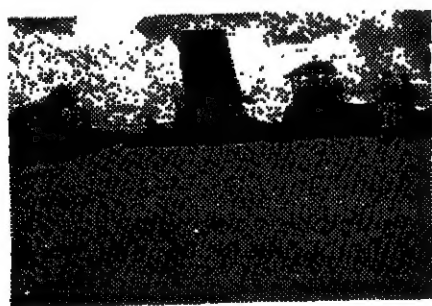
spunbonded fabric made of polyester filaments, forms a separating layer between the soil and the filler and holds both in place, while the water passes through and flows harmlessly away.

Just one example of many. The interdisciplinary cooperation of scientists and engineers is opening up paths never before trodden for industrial textile materials, products and processes. Hoechst High Chem Fibres are today more than ever before tailored to their applications and the properties

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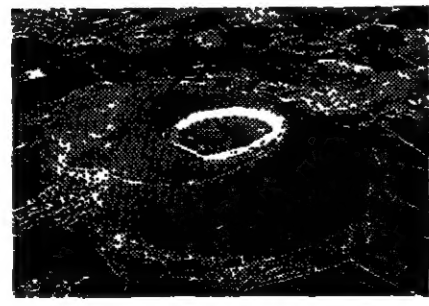
The addition of the Celanese products will result in a further expansion of the selling range.



In the Colombian rain forest the geotextile *Trevira Spunbond* ensures the continued progress of building operations. As a separating layer it prevents the loose material from sinking into the soil and as a filter layer it drains the ground to the point of being load-bearing.



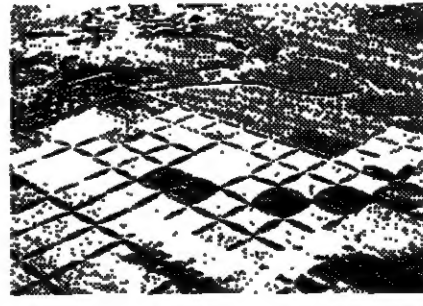
For roadbuilding, the strips of spunbonded fabric are made up into large areas. Because the material is highly tear-resistant and puncture-proof and also has a high elongation, the separating layer can be driven over immediately. The considerable costs of interrupting work have been avoided.



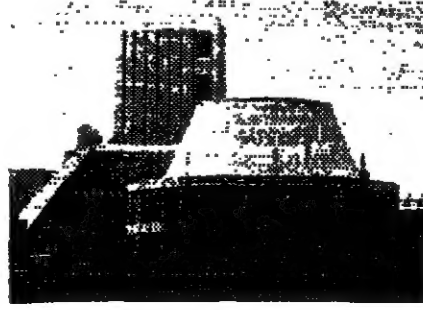
Tenerife is one of the driest regions of Spain. Today the crater of the volcano *Montaña de Teno* is a water reservoir, lined with coated *Trevira High Tenacity* – one of fifty *Trevira* lined artificial lakes serving Spanish agriculture.



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In desert areas, infertile desert becomes fruitful. Shadow nets in *Trevira High Tenacity* take the heat out of the sun, encourage fruit and vegetables to thrive and ensure that the valuable water does not evaporate.



Since 1900 asbestos has been used to reinforce cement. *Dolanit* has had great success in the desirable substitution of this fortifying agent. In important properties such as strength it is superior to the traditional asbestos reinforcement.



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# Bakker Hurt Evangelicals' Image, Assets

By Samuel G. Freedman  
New York Times Service

FORT MILL, South Carolina — Whether the Reverend Jerry Falwell is trying to steal the PTL ministry, as the Reverend Jim Bakker says, or to save it, there is more at stake here for the American evangelical movement than an air-conditioned doghouse or gold-plated bathroom fixtures.

Leaders and scholars of the movement say that, even as such symbols of the ministry's excesses under Mr. Bakker have been auctioned to raise short-term cash, the fate of the PTL empire has become inextricably bound with the evangelical movement's efforts to enter the political, religious and social mainstream — even to alter the course of that stream. And to shed the very "Elmer Gantry" stereotype that the current scandal has revived.

The immediate prize for rescuing PTL, they say, is control of two of the most valuable properties in American evangelism: the PTL cable television network and Heritage Village USA, the third most popular theme and amusement park in the nation, after only the two Disney parks.

The assessed value of the entire 2,300-acre (931-hectare) Heritage Village USA complex is \$178 million, and the cable service is thought to be worth from \$20 million to \$50 million.

Both the image and the assets of PTL — for Praise The Lord or People That Love — are particularly important when the evangelical marketplace has grown more crowded than ever, heightening the competition for adherents and their dollars.

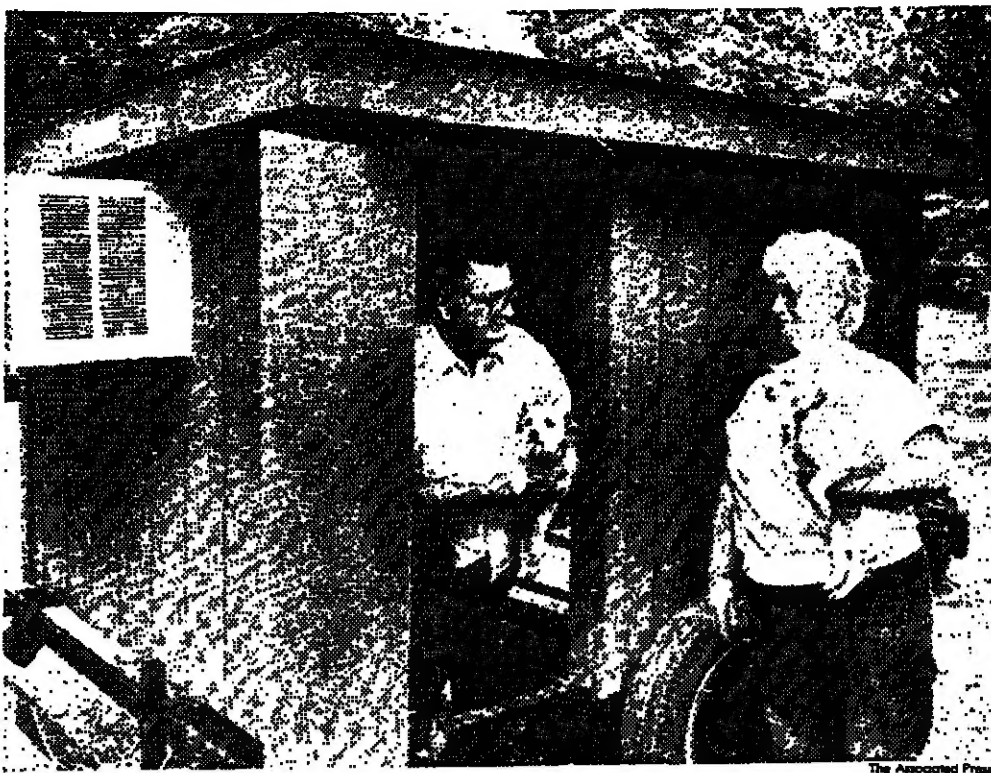
In a larger sense, leaders in the movement fear that the scandal will set back sophisticated efforts, including the Reverend Pat Robertson's presidential candidacy, to stamp evangelical influences on the national life.

The common denominator for all evangelical denominations is a belief in direct spiritual experience, often colloquially known as being "born again."

Many of the major evangelical ministries had seen their donations and television ratings declining before the PTL scandal broke in March. Since then, with the revelation of a \$70 million debt and allegations of avarice and sexual adventurism against Mr. Bakker and his ministry, the drop-off in giving to many television ministries has gained momentum.

"The credibility of the televised evangelists is probably at the lowest I can ever remember," said Rex Humbard Jr., the chief executive officer of the Ohio-based ministry led by his father.

Martin E. Marty, a professor of modern Christianity at the Univer-



George and Helen Campbell of Hollidaysburg, Pennsylvania, with the air-conditioned doghouse that belonged to the Reverend Jim Bakker, the former head of the PTL ministry. Mr. Campbell bought it for \$630, but he said the couple's two terriers will not be using it.

sity of Chicago, said, "It's like the cocaine issue in professional sports. Every league, every franchise is affected by the image of a problem."

The immediate effect of the PTL scandal has been pronounced. A variety of polls found that public distrust of television evangelists has grown following the disclosures about Mr. Bakker's ministry.

Mr. Humbard said that donations to his father's ministry in April and May were 25 percent lower than for the same period last year. He did not provide the dollar figures. Benton Miller, the manager of media relations for the Christian Broadcasting Network, a cable service, reported an unspecified "drop-off in revenue" in the past two months.

The new management of the PTL ministry has been trying to raise \$10 million in an "emergency" drive, and officials said about \$5.2 million had been received as of late Friday. But 18 television stations have dropped the "PTL Club" television show because of overdue bills, and 40 more are reported to be considering it.

The show appears daily on 160 stations. The PTL ministry buys time and transmits the show, along with other programs, via the PTL Cable Network to cable television services that reach 13.5 million subscriber households nationally.

The concern beyond the current unrest, evangelists and academics

agree, is whether PTL's well-documented woes will damage the movement's push toward the American mainstream, as exemplified by Mr. Robertson's Republican candidacy and Mr. Falwell's attempts to build intellectual and political bases through a college in Virginia and the Liberty Federation, formerly known as the Moral Majority.

From Jim and Tammy Bakker's lavish homes and wardrobes to the allegations of secret slush funds and homosexual trysts, the PTL scandal has summoned up the specter of the evangelist as blasphemer, cheat and hypocrite. It is precisely the sort of popular portrait that the sophisticated modern-day evangelists fear most.

"With the advent of those unfortunate shenanigans," said Mr. Miller of the Christian Broadcasting Network, "all of us have been wounded." He noted that officials of the cable network went so far as to open their own financial records on the air earlier this month.

"I don't think one can stress too strongly the presence of the 'Elmer Gantry' image, the image of all the television evangelists as a bunch of no-good shysters," said Professor Jeffrey K. Hadden of the University of Virginia, the author of the forthcoming book "Televangelism: Power and Politics."

"They've all had to fight that image," Mr. Hadden said. "And

that's the key. I think, to why Jerry Falwell jumped into PTL in the first place. He knew that if it got out of control, there was a lot for everyone to lose."

The common agenda of the evangelical movement goes only so far, and in the marketplace of souls, the PTL ministry is an exceedingly valuable resource.

Never before has the movement been so packed. The \$2-billion-a-year television evangelism field is split among 221 Christian stations and 60 syndicated programs. A New York Times-CBS News poll earlier this year suggests that the audience has been almost exhausted, since only a fraction of the respondents who do not already donate money to television evangelists say they have a favorable opinion of them.

"The movement had peaked by late 1979 or 1980," said Razzelle Frankl, the author of "Televangelism: The Marketing of Popular Religion."

"It had become more concentrated, more competitive," he said. "Every ministry was struggling to find its own niche in the market."

The shortfall in declining revenues and ratings for many evangelists, Mr. Falwell included. His major program, "The Old Time Gospel Hour," brought in \$44.3 million in 1986 — the lowest figure since 1981 and a drop of \$8.2 million from the 1985 level.

"Late last year we started a strong organizing drive," said Janice LaChance, spokeswoman for the union, "but before then we were losing 400 members a week."

She attributed the drop to attrition, staff reductions and outside contracting by federal agencies.

Across the nation, many unions are in trouble. Organized labor lost 2.7 million members between 1980 and 1984, according to the U.S. Bureau of Labor Statistics.

But the public-sector unions are generally healthier than those in private industry. Of the 16 million government workers, about 36 percent belong to unions, a figure that has been almost constant since 1980.

## Unions Lose Support in U.S. Federal Work Force

By Judith Havemann  
Washington Post Service

WASHINGTON — When President Ronald Reagan dismissed 11,400 air traffic controllers in 1981, unionized government workers and their bosses got the message. The workers got nervous, and the bosses got tough.

"A lot of unions became less aggressive," said James M. Peirce, president of the National Federation of Federal Employees. After the Professional Air Traffic Controllers Organization strike, he said, "People didn't want to stick their neck out."

Managers did. "Most of management really felt they could ignore labor relations," said a departmental assistant secretary. "They got a lot more bold, a lot more rigid."

Today, nine years after unions gained a legal foothold in the federal government with passage of the first law authorizing collective bargaining for civil servants, union membership among federal workers has plummeted. Political clout has weakened.

And Mr. Reagan's handling of the air traffic controllers' strike set a tone of "toughing it out" that has reverberated throughout the government.

"Members are dropping out because it seems hopeless," said Representative Patricia Schroeder, Democrat of Colorado.

"There is a real question," she said, "whether federal unions will continue to exist."

Not only are unions hamstringing by a law that prohibits bargaining over wages and benefits, but they have a hard time getting management to sit down at the table over the few issues that are negotiable.

"There is no penalty for not bargaining," said Robert Tobias, president of the National Treasury Employees Union, one of the most aggressive of the unions.

If a federal manager refuses to bargain, Mr. Tobias said, the Federal Labor Relations Authority "might order him to post a notice on the bulletin board two years later."

"There is no balance in the process, no outside force pushing to resolve issues," he said.

Representative William D. Ford, Democrat of Michigan and chairman of the House Post Office and Civil Service Committee, called the labor relations environment in the federal government today "very poor."

The parties involved, particularly management, he said, "are too confrontational" and "would rather litigate than negotiate."

In this environment, not surprisingly, many federal unions have run into trouble.

The largest of them, the American Federation of Government Employees, has slipped from 300,000 members in 1969 to 180,000 active and 30,000 retired members today, according to the group's president, Kenneth T. Blaylock.

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She attributed the drop to attrition, staff reductions and outside contracting by federal agencies.

Across the nation, many unions are in trouble. Organized labor lost 2.7 million members between 1980 and 1984, according to the U.S. Bureau of Labor Statistics.

But the public-sector unions are generally healthier than those in private industry. Of the 16 million government workers, about 36 percent belong to unions, a figure that has been almost constant since 1980.

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had suggested that it might accept NATO's demands for arms reductions that would eliminate the East bloc's superiority in most categories of conventional weapons.

That concession, included in a statement closing the meeting, moved the Warsaw Pact closer to NATO's position on how to negotiate cutbacks in troops, tanks and other nonnuclear forces in Europe, the sources said.

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On a related issue, a NATO spokesman signaled that the Western alliance planned to turn down the Warsaw Pact's appeal for joint talks, to begin this year, to guarantee that both alliances' military

doctrines are fundamentally defensive rather than offensive.

Such talks would mark the first formal meetings between the rival blocs, but NATO fears that acceptance of the offer would implicitly recognize that the two alliances are equal, NATO sources said.

NATO contends that it is an alliance of 16 sovereign nations with equal rights but that the Soviet Union dominates and thus controls the seven-nation Warsaw Pact.

"Talks already have taken place on both nuclear and conventional arms control in different fora," the NATO spokesman said in response to a question about the Warsaw Pact's proposal for joint consultations.

Before Friday, the seven-nation Warsaw Pact had insisted that both alliances make equal percentage cutbacks in their conventional forces.

## AMERICAN TOPICS



PRISON TO BE PAROLEE'S HOME — California's governor has ordered that Lawrence Singleton, 59, center, be given a home on the San Quentin prison grounds. Paroled after serving eight years for raping a teen-ager and cutting off his arm at the elbow, he was driven out of six communities. "Understandably, no community wants Singleton, yet he must be placed somewhere," Governor George Deukmejian said.

### One Black's Climb To Executive Suite

A. Barry Rand is a rarity indeed: a black who not only is an executive at Xerox Corp., one of America's major companies, but who is in charge of the sales force, with 33,000 employees and annual sales of nearly \$5 billion. He is thus responsible, as The New York Times put it, for "the company's bread and butter."

His annual salary is said to exceed \$250,000.

A survey of the 1,000 largest American companies carried out in October by Korn/Ferry International found only four black senior executives, those just below the chief executive level.

That represented an increase of one since a similar survey in 1979 by Korn/Ferry, an executive search firm. The Bureau of Labor Statistics says the proportion of managers from minority groups increased to 5.2 percent in 1982 from 3.6 percent in 1977.

But black senior executives usually are in charge of employee morale or community relations.

Edward W. Jones Jr., a New Jersey consultant who recently wrote about black managers for Harvard Business Review, said that as "top manager with the future of the company in his hands," Mr. Rand, 45, amounts to "the Jackie Robinson of the corporate world," referring to the first black in major league baseball, in 1947.

"I can't take solace about being the first black person in this kind of position," Mr. Rand said, because "there are blacks

### Short Takes

Republic Pictures is back to making films after a 30-year hiatus, but this time only for television. The studio made 47 John Wayne films (including "Sands of Iwo Jima" and "The Quiet Man"), scores of Gene Autry and Roy Rogers westerns and many other films, most of them low-budget B-grade movies. The company, founded in 1935, produced its last feature in 1957, but remained active in distributing old movies and television shows.

A murder confession has been uncovered by a family refurbishing a house in Fountain, Colorado. The document, concealed under layers of paint on a window molding, was signed by John W. Spicer, who helped build the house in 1899. Spicer died in 1943. "On or about the [illegible] day of March, 1899," the document said, "I did kill and willfully murder with a club one John J. Sebastian for his money and jewelry to the value of \$5,000.00 and did drag the mutilated body to a deep ravine." No record could be found of the murder.

### Notes About People

Richard N. Perle, 45, the former assistant secretary of defense for international security

policy, has signed with Random House for a novel, tentatively titled "Memoranda," for an estimated \$300,000 or more. The Washington Post reports. He also is writing a monthly column for U.S. News & World Report magazine and is on the lecture circuit for about \$15,000 per lecture. His literary agent, Robert B. Barnett, called this "Richard's three-pronged assault on the private sector."

### New York's Finest Drop Baseball Caps

A few years ago, The New York Times recalls in an editorial, the National Association of Uniform Manufacturers called New York's police the best-dressed force in the country. "Yes," The Times went on, New York's Finest "had style to burn" until the baseball cap. The baseball cap, with mesh crown and a duck bill, became a summer option in 1984. Sure, it was cooler than the regulation lid. But did it have presence? Did it convey discipline? Can anything that suggests hot dogs with mustard, pickup trucks and fishing parties reflect the sense of discipline that's conveyed by a uniform? No.

This week, after a three-year run, the baseball cap went out; the traditional eight-sided cap with patent leather visor became mandatory again. To those who wisely recognized the link between style and standards, hats off!

—ARTHUR HIGGEE

## NATO Praises Warsaw Pact Overture To Negotiate on Conventional Forces

By Robert J. McCartney  
Washington Post Service

BONN — Officials of the North Atlantic Treaty Organization have welcomed the Warsaw Pact's new declared willingness to negotiate on its advantage in some conventional forces in Europe, but they brushed aside a call from the pact for joint consultations on military strategy.

NATO sources in Brussels, providing what they called initial reaction to the two-day Warsaw Pact meeting in East Berlin that ended Friday, said it appeared that some progress was achieved because the East bloc had acknowledged that there were disparities and an imbalance between the two blocs' conventional forces.

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# Drug Agents in a Hostage Hunt

## Congress Looks Into How White House Bypassed Agencies

By Stephen Engelberg  
New York Times Service

WASHINGTON — It was early 1985 and the Reagan administration had failed in attempts to rescue — or even find — William Buckley, the kidnapped Beirut station chief of the CIA. Almost as an afterthought, the White House asked the Drug Enforcement Agency to search its worldwide network of informants for clues to where Mr. Buckley and other American hostages were being held.

From those innocent beginnings grew a yearlong succession of secret operations run by two agency officers assigned to work directly for Lieutenant Colonel Oliver L. North, the former National Security Council aide.

The efforts, which used private money in seeking to ransom the hostages, are coming under scrutiny in Congress as a case study of the White House penchant for bypassing the agencies normally assigned to covert operations.

Investigators also say the operations raise troubling questions about Colonel North's access to U.S. law enforcement agencies.

Sketchy outlines of the operations have been alluded to in congressional testimony on the Iran-contra affair. Congressional investigators and administration officials last week provided the first detailed picture of its origins.

"This is another example of a private operation run by government officials without supervision and the checks and balances that make our government work right," said Senator Paul S. Trible Jr., Republican of Virginia. He is a member of the Senate committee investigating the Iran-contra affair.

"The story of this enterprise," he said, "demonstrates the absolute folly of proceeding in this fashion."

Colonel North instructed the drug enforcement agents to keep no records. The senator and others, however, were able to relate these details about the operation, which, according to Robert C. McFarlane, the former national security adviser, was personally approved by President Ronald Reagan.

A chief intermediary was a shadowy figure called "the source" who received at least \$200,000 in payments. When Colonel North's team asked him to prove that he was in contact with the captors, the intermediary produced a copy of an Arabic-language newspaper that he said had been initiated by Mr. Buckley. Later, CIA officials said the middle initial was incorrect and Mr. Buckley's secretary said that it was not his handwriting.

The agents paid money to an Iranian posing as a Saudi prince who, it has been previously disclosed, was pretending to broker a contribution to the Contras by Saudi Arabia. The payments to the impostor involved his claim that he might have influence with the people holding the hostages.

The two DEA officers were worried about agency rules that barred them from handling unapproved funds, so in May 1985, one agent enlisted his brother, who was not a government employee, to carry the cash.

H. Ross Perot, the wealthy Texas, contributed \$300,000 to the hostage rescue efforts. Most of the Perot money went to the operation of the drug enforcement agents, but \$100,000 was used in a futile operation by the CIA and FBI to rescue Peter Kilburn, an American hostage who was subsequently killed.

The disclosure shows for the first time that the administration used private money in an operation that fully involved the relevant government agencies.

Mr. Trible said that the DEA agents were involved in the ransom operation from January 1985 to June 1986. At the time, senior U.S. officials were highly concerned about Mr. Buckley's plight because there was videotaped evidence that he was being tortured and because he had extensive knowledge of U.S. agents in the Middle East. Mr. Buckley's captors claim to have killed him in 1985.

Mr. Trible said that Edward V. Hickey Jr., who was a White House official at the time, made the first contact with the Drug Enforcement Agency when he called a DEA agent in Virginia who was a neighbor and asked whether the agency could help find Mr. Buckley.

The agency, which has officers all over the world for drug investigations, agreed to help. Mr. Trible said that a special group was assembled at the drug agency, with apparent support from other agencies. The CIA provided \$50,000.

The involvement of the agency was not illogical. The CIA had lost many of its personnel in Lebanon, first with the truck bombing of the U.S. Embassy in 1983 that killed the previous CIA station chief and other officers, and then when his successor, Mr. Buckley, was kidnapped in 1984.

According to present and former administration officials, the DEA rescue effort was highly secret, and several of its senior officials, including its general counsel, Joseph R. Davis, were not told about it.



Sheikh Fadlallah urging the release of hostages in Lebanon.

# Guerrillas Assault Units In Israeli 'Security Zone'

Reuters

SIDON, Lebanon — Shiite Moslem guerrillas Sunday attacked pro-Israeli militia posts in south Lebanon. Sixteen fighters and a baby were reported killed in the fighting.

Pro-Israeli guerrillas of the Islamic Resistance Front said it was their biggest raid inside Israel's self-declared security zone, an irregularly shaped strip that stretches from the Mediterranean coast to the foothills of Mount Hermon.

Lebanese police said eight members of the South Lebanon Army militia died, four were missing and one was captured by the guerrillas.

A six-month-old baby was killed and 20 civilians were wounded when Israeli helicopters and artillery fired on nearby villages in retaliation for the guerrilla attack, they said.

Israeli security sources said eight guerrillas died, while 10 militia troops and six Israelis were injured in the clashes.

In Beirut, a newspaper with links to a leading Shiite Moslem cleric, Sheikh Mohammed Hussein Fadlallah, "is working to give the hostages' issue an end agreeable to all parties."

"We expect an end to this issue," the newspaper said, adding that an announcement would be made in about two weeks.

Sheikh Fadlallah called Saturday for the release of all "innocent" hostages in Lebanon.

He has great influence among pro-Israeli Shiite groups, which are believed to hold some of the 28 foreigners missing in Lebanon.

# Fawn Hall Visiting Paris

PARIS — Fawn Hall, Colonel Oliver L. North's former secretary, has dropped out of sight in Washington, D.C., for the last couple of weeks and has been sightseeing in Europe, mostly in Italy and France, with a female friend.

Encountered Sunday on the Left Bank with her friend, Ms. Hall declined to comment on the Iran-contra hearings, including the date on which she expects to be called to testify.

"That stuff comes from my lawyer," she said, "but all of this will come out soon." Ms. Hall said that she has been in Europe sightseeing. "It was a lot more fun than being in Washington."

She has told a federal grand jury that she shredded National Security Council documents at Colonel North's request just before U.S. Justice Department investigators came to review his files. Colonel North is a former National Security Council aide.

# GULF: Iran Warning

(Continued from Page 1)

president on Friday that the administration should commit itself to a long-term U.S. military presence in the Gulf to strengthen relations with the Arab world, sources said.

Mr. Reagan agreed with Admiral Crowe on both counts, according to Pentagon officials, and also approved the Joint Chiefs' recommendation to increase the Middle East Force in the Gulf to nine ships from six. The increase will include a cruiser, which would move in and out of the Gulf, providing extra firepower and radar to watch for threatening aircraft.

The nuclear-powered cruiser Virginia may soon sail for the Gulf to share duty with another cruiser equipped with a sophisticated anti-aircraft system, military sources said.

Pentagon officials said that an aircraft carrier would remain outside the Strait of Hormuz but close enough to provide air cover on occasion and the capability for retaliatory bombing if U.S. ships are attacked.

Senator Sam Nunn, Democrat of Georgia, chairman of the Senate Armed Services Committee, has criticized the navy for not deploying heavier ships in the Gulf.

Mr. Nunn argued that patrol frigates such as the Stark are too small and vulnerable to handle the threat posed by modern anti-ship missiles possessed by Iraq and Iran.

Thirty-seven crewmen were killed and the Stark was disabled by two Exocet missiles fired by an Iraqi F-1 fighter bomber.

Admiral Crowe told the president that the joint chiefs believed the escort of Kuwaiti tankers could be done safely without U.S. fighter planes providing protective cover, sources said.

The joint chiefs — the heads of the army, air force, navy and Marine Corps — are less concerned about escorting Kuwaiti tankers than they are about long-term entanglements in the region, according to Pentagon officials.

Admiral Crowe is most worried, they said, that the Reagan administration will cut its losses and withdraw from the Gulf if the U.S. convoys draw fire, creating another image of "cut and run," as was the case when the Marines were withdrawn from Lebanon in 1984.

Mr. Reagan has directed the National Security Council to study various plans for retaliatory action over the next several days.

Naval experts said that if retaliatory action were carried out by carrier aircraft, at least two carriers would have to be deployed near the entrance of the Gulf. But unless an attack on U.S. shipping is made, Pentagon officials said, the plan is to have only one carrier stationed outside the entrance to the Gulf.

# ALLIES: Reluctance on Gulf Aid

(Continued from Page 1)

could provide ships, air cover or military facilities.

He pointed out that the European allies represent a third of the oil from the Gulf region, compared with only about 6 percent for the United States. He said that made the area their responsibility as well.

"We are not machines," said Italy's acting prime minister, Amintore Fanfani, when asked about the request during a visit to Canada.

Only the Netherlands gave a positive public reaction. But that country said it would act only if the situation became worse.

Prime Minister Margaret Thatcher said that Britain had received no specific request to assist the United States in the Gulf.

"But, of course," she said, "we would consider cooperating if those proposals are put to us."

The United States also approached France through diplomatic channels, but the French have not made a public response.

With the exception of the abortive peacekeeping mission in Beirut after Israel's 1982 invasion, France traditionally has been reluctant to act jointly with the United States for fear of compromising its independence or being linked with policies it opposes.

Japan, which gets two-thirds of its oil from the Gulf, has ruled out cooperating in any military deployment there, despite attacks against three of its tankers this year.

Sources at the West German defense and foreign ministries have said that Bonn also faces constitutional restrictions.

# DOONESBURY



# Saudis, Seeking First Submarines, Are Likely to Buy British or French

By Warren Geder  
International Herald Tribune

LONDON — As military tension in the Gulf rises, Saudi Arabia is nearing a decision on its first purchase of submarines, from French or British manufacturers, according to Middle East and industry sources.

The purchase by the Saudis of six to eight advanced diesel-powered submarines would introduce a new strategic dimension into the Gulf, the Arabian Sea and the Red Sea. Delivery of the vessels would take at least three to four years.

Estimates on the value of the contract range from \$3 billion to \$5 billion. The contract includes training, servicing and the construction of submarine ports at two Saudi naval bases, at Jubail, in the Gulf, about 25 miles (about 40 kilometers) from Bahrain, and at Yanbu, on the Red Sea.

Saudi Arabia is determined to acquire deep-water capable submarines that are equipped with advanced conventional missiles and that can be used for both surveillance and against surface ships.

The Saudis have already acquired a stock of advanced Harpoon missiles, built by McDonnell Douglas Co. of the United States, and are expected to outfit the submarine with those systems.

None of the Gulf nations is believed to be operating submarines in the region, although Iraq is understood to have purchased Romeo-class submarines, modeled after an antiquated Soviet variety, from China.

Israeli diplomatic sources said they would regard the introduction of Saudi-operated submarines in the Red Sea with concern.

Prince Sultan bin Abdul Aziz, the Saudi minister of defense, said recently in Riyadh that King Fahd would announce a final decision on the submarine contract after the conclusion of Ramadan, the Islamic holiday, which ended Thursday.

The decision to award the contract has been repeatedly postponed. The prince is expected to be in Paris on business sometime later this week.

The top contenders for the bid are a French consortium, headed by Direction de Construction Navale and Thomson CSF, and Vickers Shipbuilding and Engineering PLC of Britain.

Other contenders include submarine builders in West Germany, Sweden, Italy and Holland. The Rotterdam Dockyard Co., or RDM, is considered by industry sources to be a dark-horse contender if the Saudis find it politically difficult to choose between French or British submarines. The Dutch vessels are believed to be advanced enough to be capable of meeting Saudi requirements.

The British bid, centered on the Type 2400 diesel-electric submarine that is being built for the British Navy, is said to have a marked technical advantage over the French Agosta, which is still in the design stage.

The British vessel is known to be exceptionally quiet, an important feature in the shallow Gulf waters. One factor that may have weakened Britain's position in the bidding is the Saudis' disappointment at the pace of British investments in Saudi Arabia. "Offset" investment was a condition of the Saudis' contract to buy \$5 billion (\$3.1 billion) of Tornado fighters from Britain in 1985.

Bidding by the French consortium is being abetted by a strong push from Prime Minister Jacques Chirac to secure the contract, industry sources said. Another factor in France's favor, they said, is the earlier sale by France of frigates to the Saudi Navy.

Moreover, following the \$5 billion military purchase from Britain, the Saudis may choose to diversify the sources of their subsequent major military purchases from abroad.

# Many Marks of Distinction, All Made in Record Time

BRUSSELS — Despite the rain, the Belgian town of Pepinster has set a world record for world records. Pepinster, with a population of about 5,000, finished its "Week of Records" on Sunday as participants notched more than 30 new records in such endeavors as jumping rope, playing dice and assembling fire hoses.

If the new marks are approved by the Guinness Book of Records, as expected, Pepinster will have overtaken Aubigny, France, which last year set 28 records at its annual festival.

The event in Belgium got rained out.

Luc van Lierde, who wanted to pull a 10-ton truck for 1,312 feet (400 meters), abandoned his effort after 65 feet because he kept slipping on the wet pavement.

But there were plenty of record successes.

Claude Rulmont jumped rope for 13 hours and 40 minutes: a middle-aged couple played a game of dice, called 421, for 24 consecutive hours.

Three firemen screwed together enough fire hoses to form one of 19,230 feet. A world record, of course.

It was fortunate that the firemen had brought a couple of ladders. About 20 people who clambered into the seat of the world's largest beach chair, erected in the town square, had to be evacuated by the firemen when the three-story structure started to buckle.

After the 20 people were safely on ground, the giant beach chair was folded up and put away.

# Leading Candidates Are Emerging In Search for a New UNESCO Chief

By Paul Lewis  
New York Times Service

PARIS — The search has begun for a successor to Amadou Mahtar M'Bow, the director-general of the United Nations Educational, Scientific and Cultural Organization.

The United States, Britain and Singapore have left the agency, complaining of what they call bad management and the growing politicization of UNESCO's activities under the leadership of Mr. M'Bow, a Senegalese.

The names of about 20 possible candidates to succeed Mr. M'Bow when his second term of office expires at the end of this year are being discussed informally by the agency's 50-member governing executive board at its regular five-week meeting in Paris.

An informal consensus is emerging among the board members that the next director-general should come from Asia if a suitable candidate can be found. No Asian has ever held the post.

Some board members say Pakistan's foreign minister, Sahabzada Yaqub Khan, and the Philippine ambassador to Belgium, Rosario Manalo, who have been put forward by their governments, are probably the best placed candidates in a crowded field.

Many officials involved in UNESCO say they believe Mr. M'Bow still hopes a majority of member nations will ask him to serve a third term because they cannot agree on anyone else.

On June 1, the chairman of the executive board, Ivo Margan of Yugoslavia, is due to send a confidential letter to UNESCO's more than 100 member nations, listing the official candidates whose names have been put forward by their governments.

This list has little significance, however, because individual executive board members remain free to suggest additional candidates up to the moment when the board votes on the next director-general at its regular fall meeting in October.

The board's nominee, chosen by majority vote, must then be approved by a majority of the member nations at the next UNESCO General Conference in November.

Other known official candidates, who have been put forward by their governments, include Victor Sa Machado, the Portuguese education minister; Nicolas Todorov, a member of the Bulgarian Academy of Sciences and chairman of the last UNESCO general conference; Soedjat Moko of Indonesia, a former rector of the United Nations University in Tokyo; Mr. Margan of Yugoslavia; Alfonso Barrera Valverde, a former foreign minister of Ecuador; Abdul Mejid-Khan, Bangladesh's ambassador in Paris, and Thailand's education minister, Winchincharon.

In addition to the official candidates, several other possible names are being discussed among executive board members.

These include Prince Saddrudine Aga Khan, the former UN high commissioner for refugees; Kalevi Sorsa, the Finnish foreign minister; Enrique Iglesias, the Uruguayan foreign minister; Buenos Aires Ghalil, the Egyptian deputy foreign minister; Dr. Kurt Furgler, a former president of Switzerland; Federico Mayor Zaragoza, a Spanish biologist, and Abdou Salam, a Nobel Prize-winning Pakistani physicist who lives in Italy.

# You have many places to go in New York. But only one place to stay.



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# Herald Tribune

Published With The New York Times and The Washington Post

## Let Them Wear Hats

Industrial chemicals are eating away at the high ozone layer that shields life from the sun's harmful ultraviolet rays. To most people the solution is obvious: cut production of those chemicals and find alternatives. Not to Donald Hodel, the U.S. secretary of the interior, and William Graham, President Reagan's science adviser. They object to the State Department's efforts to negotiate an international production freeze. If ultraviolet radiation increases, says Mr. Hodel, people could wear more sunglasses, hats and suntan lotion.

Like Marie Antoinette advising breadless French peasants to eat cake, these two men come at the facts from an odd perspective.

Ultraviolet light does not just cause a pleasant tan. Larger amounts may induce skin cancer and melanoma. Mr. Hodel pooh-poohs that inconvenience: "People who don't stand out in the sun—it doesn't affect them," he says. But the secretary seems to have forgotten about animals. Will the cows be checked out in Yuma and sun hats, or be trained to wear them?

Mr. Hodel and Mr. Graham believe that there is no hard evidence for the thousands of extra skin cancer cases predicted by the Environmental Protection Agency, and that the EPA ignores likely changes in behavior and technology. They are right, but it makes little difference. The risk of greatly increasing the planet's ultraviolet exposure, to safeguard chemicals for which easy alternatives are within reach, is not worth running.

The ozone issue has been debated for 13 years, and broad agreement has now been reached that the threat is serious, even though many uncertainties remain. If the delicate ozone veil should be damaged seriously, the food chains of both

land and ocean could be disrupted and all life on Earth would be at risk. The computer models that project the threat are uncertain, of course, but biologists have no doubt that the effect is real.

The United States has led the world in identifying the danger and taking steps to avert it. The threat to the ozone layer comes from chlorofluorocarbons, the unusually long-lived chemicals used as refrigerants, in auto air-conditioning and to make plastic foam. There is no major obstacle to finding suitable alternatives. DuPont, the world's largest maker of chlorofluorocarbons, says it could economically produce safe and effective substitutes within five years.

After months of deft negotiation, the State Department pulled off a diplomatic triumph last month in persuading recalcitrant Europeans to reduce production by 20 percent. The next step was to secure agreement on a 50 percent reduction.

That is the point at which Mr. Hodel and Mr. Graham have chosen to intervene, seeking to undermine the State Department's position. Their meddling threatens to force the United States from a widely admired position of leadership into humiliating retreat. If agreement cannot be reached even on so clear-cut a danger as the ozone threat, there is even less hope of international action against acid rain and the feared global warming of the atmosphere, known as the greenhouse effect.

The secretary of the interior, charged with conserving the natural environment, and the president's science adviser, who is meant to understand it, should be educating their colleagues—not leading the plunge into sunlight darkness.

—THE NEW YORK TIMES

## Reappoint Paul Volcker

President Reagan faces a critical choice for chairman of the Federal Reserve Board when Paul Volcker's second term expires in August. The smartest move would be to stick with the chairman he already has—and do it now. Mr. Volcker takes needed stands on unpopular issues, sticks by them and takes the heat that timid politicians fear.

Mr. Volcker's commanding intellect and commitment to sound policy have earned him respect throughout the world of finance and politics. He has served with distinction for eight years in extraordinary times.

Mr. Reagan inherited the chairman from President Carter, who appointed him in 1979 when he needed a strong presence at the Fed to restore confidence in the dollar. Reagan loyalists at the Treasury distrusted him—in fact, blamed his crackdown on inflation for thwarting their supply-side growth plans. Nor were they happy with his criticism of the

budget deficit. They opposed his reappointment in 1983. But new troubles percolated and Mr. Reagan sensibly kept him on.

Now troubles threaten again. Would failure to reappoint Mr. Volcker shatter confidence in American authority and the dollar? Is he the only person who commands enough respect for nervous times? It is impossible to say. Among other names talked about, Alan Greenspan, former chairman of the Council of Economic Advisers, is highly qualified, and Mervyn Dymally, the Fed's vice chairman, has established a good if not commanding reputation. Beryl Sprinkel, current chairman of the council, is a favorite among Reagan loyalists but lacks stature.

Mr. Volcker has no magic solutions, just balance and courage. He deserves reappointment, and if the president wants to restore the financial world, the sooner the better.

—THE NEW YORK TIMES

## A Question of Immunity

With extraordinary speed, Whitney North Seymour Jr., the special prosecutor, has precipitated an international flap that has ramifications far beyond Washington's Embassy Row. In pursuing his case against the former White House aide Michael Deaver, Mr. Seymour has attempted to subpoena the Canadian ambassador and his wife and force both to testify in court. It is so clear, on the basis of longstanding international practice and the specific terms of the Vienna Convention of 1961, that ambassadors are protected by diplomatic immunity from such process that legal experts have expressed astonishment at the tactic. The State Department, mindful of the status of American diplomats abroad, went to court immediately on behalf of the Canadians.

This dispute is particularly unwelcome now because it complicates the debate on the whole concept of special prosecutors, or independent counsels. Mr. Seymour has been appointed by a special panel of three federal judges to look into charges involving Mr. Deaver. Under the provisions of a 1978 law, he is to conduct the investigation and proceed with prosecution independently, and the Justice Department has no control over what he does or how he does it. The constitutionality of that law is now being contested in court by Mr. Deaver and, in a separate action, by Lieutenant Colonel Oliver North. In addition, the law itself will expire early next year, and Con-

gress is in the process of deciding whether to extend it, amend it or make it permanent.

At the center of the debate in court and Congress is the idea of transferring tremendous prosecutorial power to an individual who is responsible to no one else in government. Is this constitutional? Is it wise? Is it fair? Are there alternatives for dealing with alleged wrongdoers in high government office? What should be done about an independent counsel who abuses his powers? Should the ethics and conflict-of-interest regulations that apply to all government attorneys be imposed on special prosecutors? Does the attorney general have enough discretion—or too much—in deciding whether to initiate an appointment? These important questions, which have been festering for years, are no longer academic because investigations are now leading to prosecutions.

Now, in spite of overwhelming legal opinion and State Department advice, Mr. Seymour has attempted to do what no other federal prosecutor would do, by proceeding against an ambassador who has diplomatic immunity. In taking this course he has provoked a whole new set of questions about the powers and responsibilities of his office. He would be wise to concede that the subpoena was a bad idea and let judges and legislators consider the law without worrying about its peripheral effect on treaties and international obligations.

—THE WASHINGTON POST

## Other Comment

### The Hands Over Soviet Ears

For the first time since 1980, the Soviet Union has stopped jamming Voice of America broadcasts in Russian and eight other Soviet languages. It is a welcome move. But what the Kremlin offered with one hand it took away with the other: Two jamming transmitters previously used against the Voice are now being employed in intensified efforts to jam programs from two other U.S. overseas broadcasting services.

English-language broadcasts by VOA, the British Broadcasting Corp. and other foreign information services have generally been let alone. For years, however, the Soviet government has carried on a massive, off-and-on effort to blot out foreign broadcasts in the major languages spoken by Soviet ethnic groups—and this despite the Soviet Union's signature on the 1975

Helsinki accord banning such interference. British experts estimate that jamming costs Moscow \$1.2 billion a year—more than all Western governments combined spend to broadcast the programs. When jamming eases in one direction, it is usually intensified in another.

In keeping with the trend, two jamming transmitters previously targeted on the Voice were quickly put to work intensifying the jamming of Radio Liberty and Radio Free Europe, which specialize in broadcasting news of developments within the Soviet Union and Eastern Europe in competition with the controlled Soviet media.

Maybe, in time, jamming of Radio Liberty and Radio Free Europe will be halted, too. As of now, however, the definition of news that can be entrusted to Soviet citizens will continue to be made solely by the Kremlin.

—The Los Angeles Times

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## Iraq Deserves U.S. Support—At Least for Now

By Daniel Pipes

PHILADELPHIA — Both combatants in the Gulf war have now had a chance to slam the United States. After Iranian officials spun the arms-hostages trap, Iraqis proceeded to bomb a U.S. Navy frigate. But for all the drama of these episodes, neither one alters fundamental U.S. interests in the Gulf. Nor do they affect the basic thrust of American policy, which should be to help Iraq.

Many Americans wish a plague on both Iraq and Iran, and with reason. Baghdad started the war, Tehran continues it. The one uses chemical weapons, the other sends teen-agers to their suicide deaths. Domestically, Baghdad is harsh, Tehran fanatical. Still, a cool assessment of U.S. interests reveals that the two states are not equal. To see why, consider these premises of American foreign policy:

First: Help resist a revolutionary state. Revolutionary regimes usually torment their citizens and attack their neighbors. They also portray the United States as the prime enemy. The Baghdad regime was once revolutionary; it sought to dominate the Arabs, lead the fight against Israel and challenge America.

But much has changed of late. Having learned something from the folly of starting the war, Iraqis seem likely to harbor aggressive intentions. Indeed, Iraqi leaders and policies now roughly parallel the West's. Iraq today defends those Arab states of the Middle East, such as Jordan and Egypt, that are most threatened by Iran's radical fundamentalism, most friendly to the United States and most open to negotiations with Israel.

Iran, too, has changed, and much for the worse. Its 70-year history of good relations with the United States is over. Ayatollah Ruhollah Khomeini sees American culture as the main impediment to building a fundamentalist Islamic society. He hates America. Accordingly, Iran endangers oil shipments from the Gulf, jeopardizes pro-American states throughout the Middle East and threatens to upset



the Arab-Israeli balance. Clearly, U.S. interests now lie more with Iraq and its allies, including Kuwait.

Second: Help fight an aggressor. In 1980, when Iraq threatened Iran, U.S. interests lay at least partly with Iran. But Iraq has been on the defensive since the summer of 1982, and Washington now belongs firmly on its side. This is not to say that an Iraqi victory would serve U.S. interests; it would open the way for a Soviet advance into Iran. But Iraq is nowhere near victory. Should Iraq again take the offensive, an unlikely but not impossible change, the United States should switch again and consider giving assistance to Iran.

Third: Promote regional balance. In the long term, the Gulf will stabilize only if Iraq and Iran have roughly equal strength. The United States should do what it can to ensure that Iraq survives as a counter to Iran. Ideally, this means a return to the status quo ante. At minimum, it means the survival of an independent government in Baghdad.

Fourth: Promote peace. Americans should never wish that a war continue indefinitely, regardless of how distasteful the regimes involved, no matter how attractive the war's short-term benefits. In the Gulf, the United States can encourage a settlement by insisting to Iran that it cannot win—and, therefore, that it should negotiate an end to hostilities.

There is a precedent for support for Iraq: American cooperation with the Soviet Union in World War II. Franklin Roosevelt saw Hitler as even worse than Stalin; further, the Germans seemed likely to defeat the Russians. Working with the Communists in Moscow was distasteful but temporarily necessary and, in retrospect, absolutely correct. Along similar lines, the United States should take steps to bolster Iraq's defenses.

The writer is director of the Foreign Policy Research Institute and editor of its journal, *Orbis*. He contributed this comment to *The New York Times*.

## Hastening Strangely To Forgive

By Jim Hoagland

BAGHDAD — Lingered guilt over its demented flirtation with Iran has pushed the Reagan administration into hastily letting Iraq off the hook in the attack on the USS Stark. We should pause and consider more thoroughly whether it was indeed an accident or the perfect crime.

There is no discernible rational motive, and the Iraqi control access to the key testimony from the pilot(s). An elaborately obscure plot is conceivable to the Machiavellian-minded or even to Agatha Christie fans.

No such doubts have been allowed to hang over the U.S. Embassy here, however. President Saddam Hussein's apology was quickly and profusely accepted as genuine and sufficient unto the day.

Ambassador David Newton went on American television to praise the Iraqis for their cooperation and indirectly to plead that the fragile diplomatic flower that has taken root in Baghdad's harsh soil not be killed off now. Mr. Newton assembled Saint-Emery's Little Prince playing a protective globe over a coughing rose.

Protecting the relationship so laboriously restored by Washington's Arabists and Baghdad's Americanists against strong political opposition in both capitals is part of Ambassador Newton's job, of course.

As his American counterparts in the Soviet Union and Paraguay remind us constantly, diplomats are not in the business of conferring moral approval on governments or leaders.

And it is difficult to imagine a harder job than being the American ambassador in Iraq right now. Perhaps defending Klaus Barbie measures up. Or being John McEnroe's public relations adviser.

But it has been jarring to be in Baghdad after the attack on the Stark and to hear U.S. diplomats repeatedly making allowances for a system that continues to impose itself through fear and brutalization.

The unconscious reflex by the embassy to wish the Stark problem away and to defer meekly to the lid of secrecy that Saddam Hussein personally imposed on the Stark investigation also tells us a great deal, I believe, about the near bankruptcy of the Arabist policy-making establishment in Washington today.

It is an establishment consumed by a self-defeating relativism. Because he is less fierce than he used to be, and because he has wrapped his brutal reign in a modernism that conceals with the stifling theories that prevail in the city square and Mr. Hussein is now praised by U.S. diplomats as pragmatic, America's other friends in this part of the world are even worse, it is suggested.

The matter of diplomacy in this region "is often not being forced into making unpleasant choices," one Arabist here explained to me.

"Pragmatism" has in fact become the current American buzzword for Mr. Hussein. It replaces "ruthless," the U.S. standby in the days when political rivals were hung from the lampposts in the city square and Mr. Hussein openly challenged America's pretensions in the Middle East.

The Iraqi president, who began his political career as a teen-age gunman and who narrowly missed assassinating one of his predecessors, has unquestionably mellowed as he enters his 50th year.

A defeated rival gets enforced obscurity rather than a noose today. Iraqi troops have not backed on the amount of chemical weapons they are using against Iranian forces. And Mr. Hussein is moving Iraq away from the rigid socialism and pan-Arabism he championed in his youth.

But Mr. Hussein has not mellowed enough to merit solicitous treatment from the United States, the Iran-contra affair notwithstanding. In a society that has little respect for such solicitousness, Americans have looked faintly ridiculous in applauding so vigorously an apology for an attack on their own ship.

The flavor of Iraq's new "pragmatism" comes through in Revolutionary Command Council Decision 840, dated Nov. 4, 1986, which imposes life imprisonment and confiscation of assets on "anyone who insults by any open means the president of the republic, the Revolutionary Command Council, the Arab Ba'ath Socialist Party, the National Assembly or the government. The punishment will be execution if the insult was flagrant in public."

It is a record of a regime America may have to stomach in order to do business in an important part of the Gulf. It is not a regime to which the U.S. government owes every benefit of the doubt or which it should rush to praise after 37 American sailors died needlessly at the hands of its military.

The Washington Post

## Has Europe, the Crippled Genius, Given Up on Itself?

By James Reston

PARIS — The paradox of Europe these days is that it invented science and is spending twice as much on research and development as Japan, but it is still lagging in the high-technology race to the future.

No doubt its leaders have made progress toward economic integration, but they would rather be separate than successful. The European Parliament is little more than a symbol, national self-interest still dominates the European Community, and 25 years after the Treaty of Rome, Jean Monnet's dream of a United States of Europe is rarely mentioned.

This is not because Western Europe does not have the human and high-tech resources to compete with the United States and Japan and the Soviet Union, but because it is not thinking on the scale of the world, let alone the Continent, and it is exporting its brains and its inventions.

It is intellectually aware of the new world economy. It writes better monographs on the subject than anybody else, but its practical efforts are fragmented and duplicated, often without any link-up with industry.

In short, the critical gap is not abroad but at home. Its politicians are not keeping up with its scientists. The sum of its parts is far greater

than its total performance, and despite considerable success in important sectors such as nuclear energy, biotechnology, computers, aerospace and some aspects of information technology, most observers here concede that it is lagging behind its major industrial competitors.

Monnet foresaw this before he died eight years ago at the age of 90. "Many persons believe," he said, "that in view of Europe's greater prosperity today, limited cooperation between the European nations is enough. I think this shows a profound misunderstanding."

Our own rate of progress should not blind us to the fact that the rate of progress in the United States and in the Soviet Union is still far greater. The reason is not that they are more inventive or hardworking than Europeans. It is that, despite the differences of their regimes, they are both developing their economies on a continental scale.

Another French critic of this hazardous European groping, Paul Valéry, suggested that there would never be a European League of Nations until Europe developed a league of minds. No doubts this is

difficult in a continent with so many different languages, histories and popular assumptions of superiority, but the problem remains.

It is perhaps illustrated best by the unemployment rates. In 1975, Europe had 6 million registered unemployed. Last year, the number was more than 19 million, 44 percent of them from age 15 to 24.

This may give the false impression that "Europeanism" is rampant. The problem is that Europe is not keeping pace with the leaders, as it could if its many strengths—human, cultural and economic—were unified. Many of its inventions are being developed more efficiently by its competitors. Many of its best minds are leaving for greater freedom and opportunity in America.

In a way, Western Europe, with its remarkable resources, is a crippled genius, divided by history, satisfied by its success and suffering not from poverty but from a poverty of desire. "Europe!" it cries, "I have lost it."

The question is really, in the coming century, it wishes to remain a permanent position in the world, or whether it will become

economically what it is geographically, a small peninsula on the tip of the Eurasian land mass, dependent, comfortable and complacent.

Monnet probably would call this too harsh. "You have to be patient," he would say. "You have to mend before you can construct."

He saw history as a series of ever expanding units—from the village to the region, from the region to the nation-state and from the nation-state to the integration of continents—a long slow progress often achieved by disasters.

Thus, the independence of America through war, the abolition of slavery in America through civil strife, the rejuvenation of the U.S. economy through the Depression, and the reconciliation of France and Germany after two terrible world wars.

It all recalls to an American visitor the fierce divisions and squabbles between the independent American states in the 18th century. But 200 years ago this summer, at the constitutional convention in Philadelphia, they formed "a more perfect union." Monnet, if he were still around, probably would predict that one day in the next century, the divided Europeans might do the same.

The New York Times

## The Nuclear Issue Is Giving Kinnoek a Loser's Look

By Anthony Lewis

LONDON — Neil Kinnoek is a charmer. In his 45-year-old leader, the Labor Party has the most attractive personality to take to an election. He can talk with wit and wit. He comes across as quick, sympathetic, engaging.

His personal qualities have dominated the Labor campaign. The party's opening television broadcast was about Neil Kinnoek and his family; the word on the screen at the end was not "Labor" but "Kinnoek."

That was extraordinary in a country where people vote only for their own member of Parliament, not for a national ticket. And it seemed to work: in the early polls Labor looked to be a serious challenger.

But policy has now caught up with personality. Mr. Kinnoek is trapped in a debilitating argument about his defense policies: nuclear weapons, the Soviet threat, the relationship with the United States. And those issues can be a disaster for Labor.

It all began last week, in a television interview. Mr. Kinnoek, discussing the need for a nuclear deterrent, said: "Of course any effort to

occupy Western Europe, or certainly to occupy the United Kingdom, would be utterly untenable, and any potential force know that very well."

From those rather muddy words the press and political critics drew the idea that Mr. Kinnoek foresaw British guerrillas making life unbearable for Soviet occupation. David Owen of the centrist Alliance—the partnership of the Liberal Party and the Social Democratic Party—cracked: "When you've accepted occupation, there's not much need for a defense policy."

Mr. Kinnoek has been staying away from Labor's daily press conference in London, touring the provinces instead. Finally, Thursday, he appeared. He made a statement about economic policy—and got a deluge of questions about defense. What did he mean by saying occupation would be "untenable"? He replied that a Soviet effort to dominate the free countries of Western Europe would be "a militarily completely unfeasible proposition."

If Britain were threatened with Soviet "nuclear blackmail," he was

asked, would he call on the United States to use nuclear weapons?

He would not, Mr. Kinnoek said, because that would lead to "nuclear obliteration." He said it was "not a romantic but a scientific point."

The use of nuclear weapons in Europe would be a terminal act. There was an air of uneasiness about the whole series of questions. Just about no one thinks a Soviet invasion of Britain is likely. The scenario of American nuclear strikes on Western Europe in order to avenge it is at the far edge of believability.

But the questions touched on something that matters deeply, in the strategy of nations and in the reality of politics. That is nuclear deterrence.

Prime Minister Margaret Thatcher understood that perfectly when, a few minutes later, questioners at her press conference told her what Mr. Kinnoek had said.

An occupation not militarily feasible? "I seem to remember that in 1940 it was," Mrs. Thatcher said.

"Of course there is and will continue to be a Soviet threat," she added.

"If you are a responsible person, you do not rely on hopes for the defense of your country. What deters attack is nuclear weapons."

Mrs. Thatcher's words were pointed. But unfair as it may have been to use the symbol of Britain standing alone against the Nazis in 1940, Mr. Kinnoek and his party really have made themselves vulnerable.

Labor has called for Britain to give up its own nuclear missiles and close U.S. bases. It says President Reagan and Mikhail Gorbachev are moving toward reduction of nuclear weapons in Europe. True. But into the foreseeable future such weapons will exist, and the Soviet Union will have them.

Mr. Kinnoek might have fudged the nuclear issues, as his party manifesto has smoothed out so many of Labor's old ideological commitments. He could have said that Mr. Reagan was on course for an arms agreement, Britain should support that and in the meantime stay on hold itself. His own shadow foreign minister, Denis Healey, says that Britain must continue to rely on the U.S. nuclear umbrella.

But Mr. Kinnoek does not accept the idea of deterrence. It is an issue of principle for him, one that he will not compromise. The British public, most of it does not like nuclear weapons either. But it accepts that they are a reality, a menace to be reduced only by negotiation. So the more the Kinnoek position becomes an issue, the more likely it is to be a loser.

The New York Times

## Who Are These Would-Be Presidents?

By David S. Broder

BOSTON — Barbara Anderson, director of the Citizens for Limited Taxation, keeps a file of stories in which out-of-state reporters (including this one) have in her view misreported or misinterpreted the record of Governor Michael Dukakis of Massachusetts, a contender for the Democratic presidential nomination.

Ms. Anderson is hardly an unprejudiced source. She and her populist-conservative organization have pressured Mr. Dukakis and the Democratic legislature constantly and fought them often. But she is a smart, informed citizen-politician, and the factual errors and glossy exaggerations she can point to in any number of stories on Mr. Dukakis cannot be dismissed out of hand.

"I know enough to distrust much of what I've read about Dukakis," she said recently. "But it's made me wonder whether I can trust what they say about any of the other candidates."

Ms. Anderson's comment highlights one of the main challenges facing the American media. In a year, the list of almost 20 men seeking the Republican and Democratic nominations for president will be in the ministries of Pat Robertson and Jesse Jackson that prepare them for leaping into public office at the top. But the same question applies to a former House member named George Bush, who has been "a heart-

beat away" these last six and a half years. Just what exactly has he been doing since he became vice president?

State reporters and newsmagazines know quite a lot about the records and reputations of Mr. Biden, Senator Bob Dole, former Senator Paul Laxalt, Senator Albert Gore and Senator Paul Simon, just as reporters in Phoenix and Wilmington know a great deal about the work of former governors Bruce Babbitt and Pete du Pont.

But there is a reluctance to undertake serious appraisals of their work—either because news organizations think viewers and readers would be bored or because journalists are nervous about saying what the people who know them and have worked most closely with them think of the contenders. Either way is a cop-out.

Politicians play at different "levels of the game." To borrow John McPhee's phrase about Bill Bradley, the basketball player turned politician. And voters need stories that help them understand that. Each of the presidential contenders has impressive credentials. But the public needs to be able to discriminate between them, to define the special gifts and shortcomings of each of these strangers who would be president.

The Washington Post

### IN OUR PAGES, 75 AND 50 YEARS AGO

#### 1912: Italy and the War

ROME — The idea of a conference of the European Powers to put a stop to the Italo-Turkish war does not meet with favor in Italian public opinion. In political circles here, the conquest of Libya has always been looked upon as tardy compensation due to Italian interests, and the prospect of a conference which might raise the entire Near Eastern question and give rise to the territorial aggrandizement of other countries arouses distrust. Up to now, the Powers have been unwilling to acknowledge Italy's success, despite the good results of her war against the Ottoman Empire. The proclamation of Italian sovereignty over Libya has assumed the importance of a fundamental question of national interest, and Italy will only consent to go to a conference if she is assured that her point of view will be accepted.

#### 1937: In Spanish Waters

BERLIN — At least 19 persons were killed and more than 50 others wounded when the German battleship Admiral Scheer poured 200 shells from its 11-inch guns into a city that is described here as the "Bolshoi fortress" of Spain. The move [on May 31] was taken under instructions from Berlin to avenge the action of Spanish loyalist airplanes in the bombing of the Deutschland [on May 28]. Another of the Deutschland's sailors has died from his wounds, bringing the number of dead resulting from the bombing to 24. The number of wounded is 72. LONDON — Germany and Italy have decided to boycott the Spanish Non-Intervention Committee and to withdraw from the International Naval Patrol of Spanish waters following the bombing of the Deutschland.

APR 10 1987



# Out of the Blue, a Quick Test of Gorbachev

By Philip Taubman  
New York Times Service

MOSCOW — The unobstructed flight of a small civilian aircraft across Soviet airspace last week has presented Mikhail S. Gorbachev with perhaps the most delicate test yet of his leadership, Western diplomats said Sunday.

At a time when the Soviet leader faces mounting criticism that his domestic policies are undermining discipline and shortchanging Soviet defenses, the unimpeded flight by a 19-year-old West German pilot to the heart of the capital on Thursday raised questions about Mr. Gorbachev's stewardship as head of the Defense Council, Moscow's highest military authority.

The diplomats said the dismissal by the Politburo on Saturday of Defense Minister Sergei I. Sokolov and the commander of Soviet air defense forces, Marshal Alexander I. Koldunov, was carried out in part to deflect responsibility away from Mr. Gorbachev and the Communist Party leadership.

The Politburo's actions followed a pattern set in the aftermath of the Chernobyl nuclear accident last year. Government officials were

dismissed for negligence, but party authorities assumed no responsibility for the disaster.

But the plane incident has also given Mr. Gorbachev an opportunity to assert his authority and to make a number of tactical political moves that seem likely to strengthen his hand, according to the diplomats.

By swiftly and severely punishing the military for allowing Mathias Rust to fly a single-engine Cessna 172 to the perimeter of the Kremlin, Mr. Gorbachev and the Politburo were able to demonstrate decisive leadership and show that they would not tolerate a breakdown of discipline.

The scolding public indictment of the military signaled that even the most revered and powerful institutions would be subject to open criticism.

In addition, the actions showed that Mr. Gorbachev, while pursuing more liberal policies, is intent on making the Soviet system, both the military and civilian sides, work more effectively and will hold ac-

countable government and military officials who fail.

The Politburo's stern rebuke of the military, accompanied by a renewed call for enhancing Soviet defenses, also gave Mr. Gorbachev a chance to counter concerns that he is indifferent to military requirements.

Since taking office in March 1985, Mr. Gorbachev has pressed the military to hold down growth in defense spending and has pursued a number of foreign policy initiatives, including an 18-month moratorium on underground nuclear testing, that have troubled defense advocates.

The sequence of events also provided an excuse to remove Marshal Sokolov, a 75-year-old World War II veteran and armored forces specialist, who has not been a member of Mr. Gorbachev's inner circle. His replacement, General Dmitri T. Yazov, 63, who was the deputy minister of defense for personnel, appears to have been hand-picked by Mr. Gorbachev.

Mr. Gorbachev, who has promoted a number of officials who apparently first impressed him during his travels around the Soviet

Union, spent some time with General Yazov in July during a visit to Khabarovsk, headquarters of the Far Eastern Military District. General Yazov was district commander until early this year when he was brought to Moscow.

The shift leaves vacant a nonvoting slot on the Politburo held by Marshal Sokolov, which Mr. Gorbachev may use to bring another supporter into the party's top leadership, possibly General Yazov.

Western diplomats said that Mr. Gorbachev had no choice but to deal quickly and firmly with the Rust case because any sign of indecision could have been used against him by opponents who contend he has been soft on defense issues.

The diplomats said that the dismissal of Marshal Sokolov and Marshal Koldunov would postpone, but not necessarily prevent, responsibility for the defense breakdown from reaching Mr. Gorbachev himself.

"If you're keeping score, a Western diplomat said Sunday, 'I think Gorbachev picked up points over the weekend but the flight may still cost him in the long run.'"

Tass, in an apparent effort to put



Dmitri T. Yazov

the events in a favorable light, took the unusual step Sunday of citing as assessment by Zbigniew Brzezinski, the White House national security adviser in the Carter administration. Mr. Brzezinski's views are usually the target of Tass criticism.

Mr. Brzezinski was quoted as saying, "The Soviets have done what the American high command and political leadership has not had the guts to do — namely, fire the top military when there is a significant setback."

# Forests of Missiles, 500,000 Guards Didn't Stop Plane on Way to Moscow

By Eric Pace  
New York Times Service

NEW YORK — The Soviet air defense system, which failed to intercept the single-engine Cessna that flew from Helsinki to Red Square, is enormously extensive, with forests of missiles, thousands of warplanes and more than 1,500,000 men and women either deployed or on call.

In recent years, the system has emphasized defense against low-level aerial incursions across the long Soviet borders. Some Western analysts have suggested that this emphasis may have made the plane's 400-mile (650-kilometer) flight over Soviet airspace particularly irritating to the Soviet leadership.

Western military experts in Moscow and elsewhere have suggested that the plane, which was piloted by a 19-year-old West German, managed to dodge Soviet radar by flying very near the ground.

In other incidents that have come to light over the decades, the Soviet air defenses have sometimes

shown deadly effectiveness, but at other times embarrassing failures have occurred.

The current edition of the U.S. Defense Department report "Soviet Military Power" says that the Soviet air defense system includes "the world's most extensive early warning system."

The importance to the Soviets of defense against anything flying relatively close to the ground is underscored in the 1986 edition of another widely read reference work, the unofficial Defense and Foreign Affairs Handbook.

It cites an "increasing emphasis by Western air forces on low-level penetration attacks."

According to the handbook, the Soviet Air Defense Command is estimated to have 550,000 personnel in service and more than a million reservists. It includes more than 2,500 interceptor aircraft in addition to missiles, and there are special arrangements for the protection of Moscow and other key sites, the handbook said.

Restrictions on flight supplement the air defense system. A So-

viet government spokesman said Friday that air traffic had been banned over Moscow since the 1950s. The three airports that serve the capital are well outside its perimeter.

An early postwar triumph of the system came in 1960, when a high-altitude U.S. reconnaissance jet piloted by Francis Gary Powers, was shot down.

More recently, the best-known display of the system's deadly abilities came in the Far East on Sept. 1, 1983, when Soviet planes intercepted a South Korean Airlines Boeing-747 jumbo jet that had entered Soviet airspace. It was shot down, killing 269 passengers and crew members.

A similar incident occurred in 1978, when a Soviet jet interceptor forced a South Korean airliner to land on a frozen lake 650 miles north of Moscow after it strayed into Soviet airspace. Two of the 97 passengers were killed and 16 were wounded.

The passengers reported that a single Soviet interceptor had fired at the plane, which was more than 1,000 miles off its Paris-to-Seoul course.

Before the flight of the Cessna on Thursday, perhaps the most dramatic known instance of the Soviet system's failure to intercept a private aircraft came in 1978. A Soviet merchant seaman who had defected to Sweden flew into and landed in the Baltic region of the Soviet Union twice in an attempt to pick up his wife and take her back out with him.

She eventually failed to appear for the rendezvous, and the defector was arrested in Sweden when he returned from his second trip.

On Thursday, a Soviet citizen also eluded his country's air defense system when he piloted a crop-dusting aircraft from the Baltic region of the Soviet Union out of Soviet airspace and over the Baltic Sea. He ditched the plane in the Baltic near the Swedish island of Gotland and waded ashore.

The Soviet Union is not the only nation where incursions into its airspace have led to incidents and problems. The United States has been trying to intercept or forestall flights into its airspace by planes carrying contraband narcotics.

## MOSCOW: Defense Minister Fired

(Continued from Page 1)

ganizing the alert for the protection of the airspace of the country, a lack of due vigilance and discipline, and major dereliction of duty in the guidance of forces by the U.S.S.R. Defense Ministry."

The Tass account also said that Chief Marshal Alexander I. Koldunov, 63, who has headed the air defense forces since 1978, had been dismissed.

The Soviet leadership accused Marshal Koldunov of "inefficiency and lack of organization" in connection with the violation of air space, Tass reported, and for "lack of control over the actions of the anti-aircraft defense forces."

The senior military shake-up indicated the extent to which the air-plane episode had embarrassed the Soviet leader, Mikhail S. Gorbachev, who was meeting in East Berlin with Soviet bloc leaders when the reports of the incident surfaced. It also showed his willingness to

dismiss the military's highest-ranking officers when mistakes occur.

Tass said the Defense Ministry told the Politburo that Mr. Rust's plane had been detected by radar as it approached the Soviet border. "Soviet fighter planes flew twice around the West German plane," Tass said, but apparently did nothing.

The leadership, according to Tass, said the air defense forces showed "intolerable unconcern and indecision about cutting short the flight of the violator plane without resorting to combat means."

The report did not make it clear whether that meant shooting the plane down or forcing it down.

Mr. Rust, who buzzed Red Square three times at low altitude after flying over 420 miles (680 kilometers) of Soviet territory in a flight from Helsinki, is being questioned by Soviet authorities, according to the West German Embassy.

The Politburo statement on the



episode and the separate statement on the retirement of Marshal Sokolov were read on the main national evening television news program.

The two events were not directly linked in the official reports.

The Politburo statement also did not say that Mr. Rust had landed his single-engine Cessna alongside the Kremlin, which observers said indicated that the leaders were clearly sensitive about how close the aircraft had come to the heart of the power structure.

## PILOT: Early Release Is Called Likely for Youth Who Landed in Moscow

(Continued from Page 1)

made public by the Politburo in a statement Saturday night, air force jets twice "flew around" the intruding Cessna. But the air defense commanders showed "intolerable unconcern and indecision about cutting short the flight of the violator plane without resorting to combat means," the Politburo said.

What remains unclear is whether Soviet air defense forces misidentified the plane, lost track of it or simply could not make up their minds to force it down.

Western military analysts said it was possible that Soviet jets, flying at speeds several times that of the 130-mph (210-kph) Cessna and trying to detect its form amid the visual "clutter" of trees and towns, could have sped past the little plane and lost it.

Mr. Rust remained in custody and presumably under interrogation Sunday, and the motives for his audacious flight were still unknown, West German diplomats

were expected to visit him for the first time early in the week.

Klaus Neubert, an embassy official, said Sunday night that the West German government had no independent confirmation of Mr. Rust's remarks that he had come to Hamburg.

The West German spokesman said Mr. Rust had been arrested and was under investigation but that no specific charges have been brought against him. He said the embassy had not been told where Mr. Rust was being confined or by what agency.

He was reportedly led away from Red Square Thursday night by police, and some reports indicate he was being questioned by military officials.

Western diplomats Sunday discounted reports that Mr. Rust had arrived in Moscow with a woman passenger. The West German Embassy spokesman said "the only German citizen involved is the young man."

## Video of Flight Shown

Mr. Rust told amazed bystanders in Red Square he had had contact with a Soviet jet during his flight to the center of Moscow. Reuters reported Sunday from Hamburg.

Audio film shot by an unknown person and screened on West German television's main evening news Sunday night showed Mr. Rust's rented plane circling the Kremlin domes, swooping in to land, then taxiing up to the Kremlin wall.

The 19-year-old flier, an overnight hero in West Germany, was shown standing in the midst of a group of excited Russians, signing autographs and answering questions in German and English.

Mr. Rust, wearing a bright red flying jacket, told a disbelieving woman questioner twice that he had come from Helsinki. Asked how long it had taken, he said: "Five hours."

"After one hour after Helsinki I had a short contact with a jet of the

Russian Air Force," he said. Mr. Rust did not say whether the contact was simply visual or whether the Soviet pilot had managed to radio his flight.

A West German television spokesman said the original film, acquired from the American NBC network, which bought it in Moscow, was longer than the 90-second segment that was screened Sunday night.

The spokesman said the film did not appear to show a woman getting out of Mr. Rust's aircraft, as some reports have asserted.

Mr. Rust's father, Karl-Heinz, said from the family home in Wedel, near Hamburg, that the video color film had taken him completely by surprise.

"Simply fantastic," Mr. Rust said of his son's appearance in Red Square.

He added that he was especially happy to see how self-confident and carefree his son looked amid the Russians.

## AFRICA: Epidemic Is Threatening a Continent's Elite

(Continued from Page 1)

effect on the severity of the epidemic for the next five years. The people who are going to die have already been determined.

The AIDS emergency in the developing world will be a central topic in Washington this week as up to 6,000 researchers meet for the Third International Conference on AIDS.

The U.S. government in recent months has come to view AIDS as the most important emergency facing Africa, according to State Department officials in Washington.

"The disease is already present among the educated elite in a number of countries," M. Peter McPherson, then administrator of the U.S. Agency for International Development, said in a policy statement in April.

The "loss of these human resources," he said, "could severely damage prospects for economic stability and progress."

Dr. Ruhakara Rugunda, Uganda's health minister, reinforced that message last week in a speech in Kampala. "AIDS is a disease hitting mainly at the productive age group," he said. "In our experience, the disease has not spared either the ordinary worker or the executive and professional sectors."

Uganda, which has led Africa in openness about the spread of AIDS, is not an isolated case. Research in Uganda, the Central African Republic, Zaire, Rwanda, Burundi, Tanzania and Zambia has found a repeated pattern of infection among the educated elite.

In Zambia, tests of blood donors in towns of the northern copper-mining region found that 13 percent were infected with the virus. Of that group, according to Zambian health officials, 68 percent were skilled professionals.

"In a country that is just beginning to develop," asks Dr. Jonathan Mann, director of the World Health Organization's special program on AIDS, "how many young

movers and shakers can you lose before the net effect becomes a dampening of social progress?"

Statistics about the spread of AIDS in Africa are sketchy and unreliable. Most AIDS statistics are based on studies of people living in cities, although more than four out of five Africans live in rural areas. Recent tests of Africans in isolated rural areas have found infection levels to be sharply lower than in cities. In a remote Zairian village last year, for example, only 1 percent of the population tested positive for the virus.

Authoritative statistics have become harder to obtain in the past year as some African governments press AIDS researchers to withhold their findings.

African governments have reported 4,370 clinically confirmed cases to the World Health Organization. Researchers and African health officials, however, say that figure is a gross underestimate of the spread of the disease.

The organization estimates that at least 50,000 Africans have symptoms of AIDS and that 2 million or more are infected with the virus. Many virologists believe that about half of those now infected will die within five years and that nearly all will be dead within 10 years.

"There is no doubt that at this point one is talking of many millions of deaths in Africa," Mr. Tinker said.

The heavily affected countries are expected to have a doubling of infection every 12 months, he said. Dr. Mann regards dire scenarios for AIDS in Africa as unfounded and counterproductive. "The problem is so serious that overstating it doesn't help," he said.

He said that immediate international support for education, blood screening and strengthening the health systems in African countries, where per capita spending on health averages about \$1.75 a year,

can check the spread of the disease.

Only Uganda has developed a long-term plan to fight the disease. At a meeting of aid donors last week in Kampala, more than \$6 million was pledged to support that plan.

As the aid effort continues, international publicity focusing on sexual promiscuity as a prime reason for the rapid spread of AIDS in Africa has infuriated many Africans.

In Kenya, which depends heavily on foreign tourism, foreign press reports about AIDS infection levels have led to stringent controls on the release of AIDS research data. A cabinet-level committee now decides what to make public.

Across Africa, there is evidence that people are getting the message about AIDS and that behavior may be beginning to change. According to U.S. officials in Kenya, demand for condoms has jumped from 10,000 a month a year ago to 300,000 a month now. A similar demand for condoms occurred early this year in Uganda, where 500,000 U.S.-supplied condoms disappeared weeks after arriving in the country.

What alarms many health officials and researchers most about the African epidemic is that it appears to target a group that this developing continent cannot afford to lose: skilled young adults.

In several African countries, according to Dr. Mann, senior government officials and business leaders have died of AIDS. Worldwide fear of AIDS could adversely affect the opportunities of Africans to obtain much-needed university and technical training abroad.

Multinational companies with large investments in Africa have begun to consider moving their operations, according to Mr. Tinker, who recently has been approached for information about AIDS by several companies with African holdings.

## REAGAN: Testing Ordered

(Continued from Page 1)

Health Service, as well as the World Health Organization.

Representative Henry A. Waxman, Democrat of California, who has frequently questioned the administration's AIDS plans, said Sunday that the proposal for routine testing on a large scale is "a triumph of politics in the administration over the advice of their public health experts."

**AIDS on Venice Agenda**  
Lawrence K. Altman of The New York Times reported from New York:

The AIDS epidemic is expected to be high among the issues addressed by the leaders of the seven-nation industrial summit conference in Venice next week.

The leaders are expected to declare the disease a major world health problem and to call for more international cooperation against it through the World Health Organization.

The leaders are also expected to support a meeting of the world's health ministers about public education, according to the theme paper agreed upon for the conference by its planners.

The recommendations that come out of the meeting will be the highest expressions of concern about AIDS yet from world leaders.

"The mere fact that the heads will have talked about AIDS, even if it is for 10 or 15 minutes — that allows national efforts to get galvanized and move forward," said Eric D.K. Melby, a special assistant to W. Allen Wallis, undersecretary of state for economic affairs.

Mr. Wallis is President Ronald Reagan's chief planner for the meeting.

Mr. Reagan is heading for the conference June 8-10 amid expectations that have been lowered by his own domestic troubles and by economic and political uncertainties in the six other nations, administration officials say.

Acquired immune deficiency syndrome is only one of many topics to be discussed by Mr. Reagan and the leaders of Japan, West Germany, Britain, France, Italy and Canada. But including the disease on the economic agenda reflects growing concern about AIDS' potential for social and economic devastation.

The leaders may debate policies for mandatory tests for AIDS infection among such groups as immigrants and foreign students, government officials and AIDS experts said in interviews. The theme paper says any steps must be "in accordance with the principles of human rights."

The conference planners' theme paper characterizes the World Health Organization, based in Geneva, as "the best forum" for international efforts to stop the epidemic. Such an endorsement could strengthen WHO's AIDS program, which has started in 30 countries.

Until drugs are found to cure AIDS or vaccines are developed to prevent it, education is the only way to stop its spread. Britain was the first country to set up a large-scale public education program about AIDS.

## WAR: Israel Remains Polarized by Clash Between Ideals, Desire for Security

(Continued from Page 1)

ated by history, geography and economics ever to be divided.

"The future is already here," he says. "The old equation of territory for peace is dead, has lost its meaning, and we are faced finally with the unavoidable question of whether Israelis and Palestinians can live together on the same piece of land without destroying each other."

Israel today is a curious mixture of pugnacious success and resigned failure.

The Israelis are a bruised, tired and skeptical people trapped in a sluggish political interregnum, yet they appear neither demoralized nor defeatist.

Backed by \$3 billion in annual U.S. aid, they have cooled their overheated economy, reined in their more demagogic leaders, begun healing ethnic divisions between Western-oriented Ashkenazi Jews and Eastern Sephardic Jews and reasserted their right to participation on a world stage where until recently they were shunned as pariahs.

They remain deeply divided over what risks, if any, they should take for peace and over the size and very essence of their state, yet they are not paralyzed.

Ruled by an improbable hybrid coalition government that reflects their own indecision and mistrust, Israelis seem to have chosen to put off all the intractable historical, political and moral questions that have sat on the table since the Six-Day War ended 20 years ago.

"Most people see it as a trawling, manageable ache, not a major emergency, and they have learned to live with it," said Daniel Elazar, a political scientist. "The big problem in Israel is we're between visions. We've said goodbye and good riddance to the supercharged idealism of the founders of the state, but we have yet to replace it."

This process of postponement has been unwittingly helped along by Israel's Arab neighbors, whose persistent misreading of the strength and determination of this small state has contributed to a 20-year stalemate on every front but Egypt.

Western diplomacy, wedded to arcane formulations and obsolete propositions rooted in realities two decades out of date, has generally tended to abet the failure.

Such an uncomfortable situation might be tolerable except for the fact that Israel and its neighbors sit constantly on the precipice of war. Mr. Peres says the situation is not static, that unless Israel and the Arabs move toward peace they inevitably will be dragged in the other direction.

Israelis lack his sense of urgency, but many agree that another war is all but inevitable.

"We will have to fight again," says Shlomo 20, a draftsman serving in a special infantry unit who was interviewed on condition that his last name not be used. "Everyone here talks about it. We all expect it. We just don't know when."

For the Israelis, the Six-Day War began as a nightmare and ended as a miracle, and it retains a deep and lasting hold on the Israeli psyche. In the dark days before June 5, while Lyndon B. Johnson urged restraint and Charles de Gaulle

canceled arms shipments to Tel Aviv, visions of a second Holocaust filled the air. Arab leaders spoke of blood and vengeance.

A Palestinian leader, asked about the fate of the Israelis, shrugged. "I estimate that none of them will survive," he said.

Israel began preparing for its own funeral. Uzi Narkiss, then commander of the eastern front, recalls that public parks were designated as emergency cemeteries in anticipation of massive enemy air raids. There were stockpiles of

gravestones, coffins and plastic sheeting for body bags. In some towns, people began digging graves.

Levi Eshkol, who was prime minister at the time, stammered while making a radio address, and the army chief of staff, Yitzhak Rabin, later prime minister and now defense minister, suffered a nervous collapse, exhausted from wrestling with his government's indecision and his own doubts.

The war changed all that and changed it forever.

For the 19 years before the war, the residents of Kibbutz Ein Gev, on the scenic eastern shore of the Sea of Galilee just below the Golan Heights, spent nights in bomb shelters, hiding with their children from the incessant thunder of Syrian shells.

Today the Syrians, once a few hundred yards to the east, are 20 miles (32 kilometers) away, and the shelters serve as recreation centers for weight lifting, music lessons or social clubs.

For the kibbutzniks, the Six-Day War was an act of self-liberation. Many of them served as combat officers and participated in key campaigns. Yet they quickly developed a sense of ambivalence and discomfort about the war they had fought and won.

"We were naive," said Muki Tsuri, who fought to defend Ein Gev and who these days is the kibbutz movement's most noted philosopher.

"We felt that after this, there could never be another war again," he said. "But we were uneasy. Very soon many people started coming to our restaurant for celebrations. The victory they were celebrating did not sound like the victory we thought we had won. This was the beginning of our unease."

The crux of Mr. Tsuri's ambivalence was over the captured territories. The Six-Day War had been waged by consensus as a struggle for survival. But the prizes that were won quickly destroyed that consensus.

In its place, wrote Amos Oz, a novelist and another kibbutznik, were "new hymns and new hungers and the blowing of rams horns."

He added, "In the ecstasy of the military victory and the messianic

intoxication, our arrogance swelled, our sense of reality dwindled."

There was agreement on some fundamental principles. Jerusalem was indivisible and would remain under Israeli sovereignty. There also was consensus that some of the West Bank would never be returned because of security considerations.

But beyond that, agreement did not exist in 1967 and does not exist now. No one in Israel knew what to do with one million Arabs. Yet at

would harm Israel's security, inevitably shifted the debate inside Israel to the right.

In 1967, the dovish but pragmatic views of Abba Eban, who at the time was foreign minister, were squarely in the mainstream of Israeli politics. Mr. Eban's views have changed little in 20 years, but today he is on the leftist fringe of the establishment.

One key factor in this shift has been the rising political clout of Israel's "Oriental" Jews, those who emigrated from the Arab world. They constitute about 60 percent of the country's population but were long under the thumb of the Ashkenazi-dominated Labor elite.

Although Mr. Begin was a European-oriented Ashkenazi, his long years in political opposition earned him the reputation of a populist movement of Israel's have-nots, of which Oriental Jews were the most important component.

Another factor pushing Israel to the right was the peace treaty with Egypt.

Anwar Sadat's 1977 mission to Jerusalem electrified Israelis and set off visions of a new brotherhood between the Middle East's most bitter enemies.

Those longings remain unfulfilled. Peace with Egypt has meant a quiet border on Israel's southwest flank but no great outpouring of affection. Israelis call it the "cold peace," and it has been a bitter disappointment for many of them.

In a survey last fall, the pollster Hancoch Smith found 63 percent supported effort by Mr. Peres to break the stalemate with Jordan. But, says Mr. Smith, when he asks what it is that Israelis are willing to give up, the numbers dwindle. Only between 35 and 45 percent in various samples express support for territorial compromise.

The peace issue rules people's lives in countless ways. Israelis spend three years after high school in compulsory military service and at least a month in reserve duty yearly after that. They pay more than half their average income in taxes to support one of the world's most







# France: Political Strains

## IN THE NEWS

### May 28: International Talks Begin on Terrorism

U.S. Attorney General Edwin Meese 3d and top officials from Japan, Canada and seven European countries meet to discuss international cooperation against terrorism. The meeting came as France tightened security in response to a letter from the Committee of Solidarity with Arab and Middle East Political Prisoners which threatened a "hot summer" if three convicted terrorists serving life sentences in France were not freed. The group has claimed responsibility for last year's bombing wave in Paris.

### May 15: Jobless Rate

#### Expected to Reach 11.7%

INSEE, France's national economic institute, in its outlook for the rest of the year, predicts that unemployment will rise to 11.7 percent and inflation to 3.5 percent while the growth rate will stagnate at about 1.1 percent. It attributes the rise in unemployment from the current 11.1 percent to continued economic restructuring.

### May 11: Barbie Trial

#### Opens in Lyon

The trial of Klaus Barbie, head of the Lyon Gestapo from 1942 to 1944, opens in Lyon, the city which was considered the center of resistance against the Germans. Barbie, 73, is on trial for crimes against humanity during World War II. On May 14, he began boycotting the proceedings, contending that his expulsion from Bolivia in 1983 was illegal. Barbie resappeared in court May 26, after Judge André Cordini ordered him brought back to face witnesses.

### March 28: Mitterrand, Kohl

#### Unify Arms Approach

After more than four hours of talks, Chancellor Helmut Kohl of West Germany and President François Mitterrand announced that they have unified their positions on European defense and disarmament.

### April 24: Le Pen Announces

#### Presidential Candidacy

Jean-Marie Le Pen, the leader of the extreme-right National Front, announced his candidacy in the 1988 presidential elections. The announcement, and subsequent statements by Mr. Le Pen on television, create rifts in Prime Minister Jacques Chirac's Rally for the Republic party. Michel Noir, the Gaullist minister for foreign trade, warned his colleagues against moving toward Mr. Le Pen's ideology to capture votes. Mr. Chirac appealed for an end to the dispute, but refused to take sides.

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Privatization leads to a scramble for share of France's expanding television market.

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Does France's gastronomic mystique really match reality?

## Warming Up for Presidential Election

# Le Pen's Candidacy Exposes Divisions in Rival Parties

By Brigit Phillips

PARIS — The election for the next French president is still a year away but already it looms as a race that will tear at the fiber of the traditional parties and trouble the conscience of France. The prospect of the election has sharpened rivalries within both conservative and leftist parties as politicians and partisans line up behind competing potential candidates. The internal tensions have come into public focus, particularly within the coalition of conservative parties that was elected with a slim majority to the National Assembly 14 months ago. However, no issue is likely to highlight those tensions more than the question of how to react to the extreme-right National Front party.

The National Front leader, Jean-Marie Le Pen, ran for president in 1981 and culled less than 1 percent of the vote in the first round of balloting. But since then, his fortunes have turned.

He has had respectable showings in municipal and regional elections and in the 1984 election for the European Parliament. In last year's legislative election, he won almost 10 percent of the vote, which, under a new proportional voting system, gave him 35 seats in the National Assembly.

Mr. Le Pen is the only declared candidate in the presidential election that should be held next spring. With the legitimacy that he has gained from a place in the National Assembly and a solid base of popularity of about 10 percent, he has become ever more raucous in trumping his ultraconservative platform.

He believes the unemployment problem can be solved by offering jobs to Frenchmen first and sending immigrants back to their homelands. He proposes incentives for women to stay at home with their children. He demands



Raymond Barre



François Mitterrand



Jacques Chirac

reinstatement of the death penalty, and is regularly called anti-Semitic, racist and xenophobic in the press.

Most recently, he outraged television viewers by proposing that AIDS victims, whom he called "today's lepers," be isolated in homes "as we would do for any great epidemic."

"We should have the courage to admit," he added, "that AIDS can only be caught through drug-use and sodomy." He went on to accuse Health Minister Michele Barzach of being "an accomplice to genocide, under orders of the lobby financing pornography and sex shops."

Mr. Le Pen's positions are considered dan-

gerous by a strong majority of the French. He has been unable to boost his popularity above 10 percent in the past two years. All the main political leaders distance themselves from Mr. Le Pen, and polls show that any party that forms an alliance with the National Front is guaranteed to lose an election.

Yet, he has maneuvered into a power-broking position that goes well beyond his electoral support. He is making his issues the election issues, and he is wreaking havoc in the traditional parties.

"The biggest question today is: Will the issues of the National Front be the main issues



Jean-Marie Le Pen, the leader of the National Front.

Even if there are no outright vote-sharing deals done with the National Front, will other parties be tempted to borrow Le Pen's rhetoric in order to steal some of his sympathizers.

of the presidential campaign for the next year," said Jérôme Jaffré, director of political analysis for Sofres, France's biggest polling firm.

He added: "For the moment, other parties, and especially the conservatives are in a position of being forced to talk about National Front issues like immigrants and AIDS victims. If this continues, the National Front will gain an influence far more important than the percentage of votes it gets in the presidential election. Today, the French political scene is ailing from an illness caused by the extreme right."

That is what many politicians worry about

in this long run-up to the election. Even if there are no outright vote-sharing deals done with the National Front, will other parties — especially on the right — be tempted to borrow Mr. Le Pen's rhetoric in order to steal some of his sympathizers?

That question was posed recently in a front-page lament in Le Monde by Foreign Trade Minister Michel Noir, a young and visible member of Jacques Chirac's Rally for the Republic party. "Are we," he said, "ready to sacrifice our souls in order to win elections?"

Continued on page 10

# Defense Policy Shifts From Isolationism Toward Europe

By Kenneth R. Timmerman

PARIS — Ever since De Gaulle returned to power in 1958 and finalized work on the French strategic nuclear force, French defense policy could be summarized in a single phrase: securing the national sanctuary.

However, over the past five years a series of gradual shifts have brought about a major change in French strategic policy.

In a speech last September at the French National Defense Institute, Prime Minister Jacques Chirac announced that France was abandoning its isolationist defense policy.

Mr. Chirac emphasized that France's security no longer depended on the national sanctuary alone, but would be "played out on the borders of her neighbors." He added that threats to French security "could also come from the sea, which covers more than two-thirds of the globe."

French strategists have long debated the role that French armed forces should play in the defense of Europe. Even De Gaulle, who pio-

neered French isolationism, insisted that the French 2d Army remain stationed in West Germany despite France's pullout in 1966 from the NATO integrated command.

The gist of French conventional strategy then became the ambiguity of when and where French forces would join the battle before the suicide weapons of the French nuclear force were unleashed.

But, in fact, according to a 1985 West German defense white paper, secret agreements were drawn up between France and the North Atlantic Treaty Organization specifying how the French would coordinate with the integrated NATO forces in central Europe.

Further clarification of this role was made on Feb. 25, 1982, when President François Mitterrand of France and Chancellor Helmut Schmidt of West Germany announced the formation of an "alliance within the alliance."

Until the French Socialists came to power in 1981, the idea of a "French-German pillar" to European defense, set out in the Elysée Treaty of 1963, had remained a dead letter.

But soon after the Socialists took office in June 1981, Prime Minister Pierre Mauroy began describing Western Europe as a common

"space of defense" and called for "an autonomous center of military decision in Europe."

After the 1982 French-German summit meeting, military cooperation between the two countries increased dramatically, with biannu-

**'We are advancing toward a European defense.'**

al meetings between the French and West German defense ministers, joint troop maneuvers in West Germany and cooperative armaments development.

The following year, a major reorganization of French ground forces was ordered by Defense Minister Charles Hernu to increase their

mobility in the European theater. An "air mobile" division was created, with 240 attack and anti-tank helicopters, as the centerpiece of the 47,000-member Rapid Deployment Force.

As Chancellor Helmut Kohl of West Germany said in Paris recently, the perception of a shared European defense has become so strongly anchored that most Germans realize that "French soldiers serving in West Germany are also defending our freedom."

However, the most spectacular move toward a European defense was Mr. Mitterrand's offer in January 1986 to consult with Bonn in times of crisis on the use of French tactical nuclear weapons.

In a press conference in Paris on May 22 following a French-German summit meeting, Mr. Mitterrand called the French strategic nuclear force "an important contribution to NATO's deterrent" capability, even though the final decision concerning its use remained with the French president.

"We are advancing toward a European defense," he said. "Both Germany and France are moving deliberately in this direction."

However, there can be no joint French-

German military command as long as West Germany remains in the integrated NATO command, and France without.

"The problem is that the French have their own disparate command," said Manfred Wörner, the West German defense minister. "And the joint NATO command structure is a deterrent factor of high degree. An attacker knows he is going against several countries at once. It is a problem the French will have to resolve."

Whether or not France will opt to rejoin the NATO integrated command remains an open question. Noting "the paradox" that West Germany lacked a nuclear deterrent despite its NATO membership, while France had a nuclear deterrent while remaining outside the NATO command, Mr. Hernu said that this "could lead in coming years to modifications in the legal statutes of the Atlantic alliance."

Mr. Hernu is not alone. The French military establishment has responded favorably in recent years to the upswing in French-German military cooperation, and sees German

Continued on page 12

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# Privatization Proves Inefficient

By Vivian Lewis

**P**ARIS — Criticism of the way French companies and banks are being privatized is mounting. The government, and particularly the team at the Finance Ministry handling the selling off of state-owned firms, is being attacked by the Socialists led by Pierre Bérégovoy, a former minister of economics, for mispricing and for cronism, for interfering with free markets and for conflicts of interest.

The privatization system is already proving inefficient, and if newly private shares continue to be seen as a sure way to earn money fast (by selling, selling shares for a profit after subscribing) it may even become unworkable.

Meanwhile, newly denationalized firms, like Paribas, are under attack by their new shareholders for failing to give board representation to the overwhelming majority of shareholders, 3.2 million small French investors who own four shares each.

Since success of privatization will be a key plank in the 1988 election campaign of Prime Minister Jacques Chirac, these charges are too serious to be ignored. Successful denationalization, the French are beginning to realize, will not only be a matter of finding buyers for equity formerly held by the state. How they are found matters too.

A major issue is the price at which the shares are sold. In order to be sure to sell the shares it is offering — and to make sure the public will make money from denationalizations in the longer term — the Finance Ministry has picked prices low.

One result has been that the French have learned to tag, to bid on new issues in order to sell with a gain as soon as trading begins. This tactic has already been adopted by 20 percent of the purchasers of Paribas stock, despite the chances of a one-for-10 free share in 18 months if they hold.

Fearful of attack from the Socialists, the team around Finance, Economics and Privatization Minister Edouard Balladur has also tried to control information about pricing.

During the drawn-out process of attributing shares to French resident individuals, who have priority in purchase under the denationalization law, trading on the "gray market" operated by London brokers will already have begun — at a premium.

But to try to control French demand for the new stock, the government has clamped down on quotation or even newspaper publication of gray-market prices in France.

Some French investors, realizing that the number of shares they are likely to receive will be reduced, have resorted to filing applications for every member of the family. This is one reason the number of shareholders has skyrocketed in France. Although a French bank is accused of fraudulent multiple filings in the British Gas privatization, there have been no charges of fraud so far within France.

The system is resulting in a paperwork nightmare for banks and brokers handling the applications, and for the newly privatized companies to deal with. Furthermore, chances are that what France is achieving is not so much a broadening of share-ownership as a multiplication of the number of accounts among members of families that already are in the habit of owning stock.

To try to stop the proliferation of new brokerage accounts, brokers like Jean-Pierre Pinotot are requiring that a minimum cash balance of 20,000 francs (\$3,500) per account be maintained.

One long-simmering issue has now come to the fore over privatization. French companies are reluctant about getting information to their shareholders. For example, they do not maintain a shareholders' roll in order to inform them about annual or interim results, splits, rights issues or annual meetings. Proxy fights are impossible, because bidders cannot contact shareholders.

The replacement of paper shares with electronic bookkeeping entries has made matters worse. Many shareholders who wanted to attend the first post-nationalization annual general meeting at Paribas simply could not get an admission ticket from the bank or broker holding their stock.

A related problem is that shareholders under French law may not vote by proxy — only in person. Frustration resulting from lack of information may be one reason there is so much agitation to get representation on the boards of denationalized companies for small shareholders.

Some of this agitation may result in needed reforms of French stock market traditions. Ownership without representation is not shareholder democracy.

Perhaps more politically dangerous in the long term are accu-

sations of cronism and conflicts of interest. Sometimes the charges made in the French press border on the ridiculous, like the theory that Mr. Balladur is looking for a job for himself at a denationalized company after he leaves the Finance Ministry.

But there seem to have been some odd inclusions, and omissions, among the block shareholdings sold during some recent bank privatizations. The system sets up a hard core of French institutional investors who pay a premium over the public underwriting price in return for a block of shares and a say in the future of a company or bank.

The dismissal of the former Socialist-appointed chairman of the Banque de Travaux Publics shortly after its privatization made it clear that politics does have a role in the designation of new owners.

In addition to paying a premium, the block shareholders have to keep their stock for a period of years. But unlike the public, they can get exactly as many shares as they seek and do not face reduction because of excess demand.

The international side of the selling off is not very popular either. Bidding is essentially confined to institutions outside France, just as it is essentially confined to individuals inside France.

Banks that sought permission to have their shares listed outside France were turned down by the Finance Ministry.

One reason is that the Finance Ministry distrusts foreign markets even more than it distrusts French ones. Fearful that a foreign listing will result in a demand for denationalization issues that it cannot control, the ministry has consistently blocked attempts by privatization companies or their underwriters to make a public listing outside France.

**VIVIAN LEWIS**, a Paris-based financial journalist, is a regular contributor to *The Banker* and the *International Organization Monitoring Service*.

Company	Offer Price*	First Trading Day	At Close May 29
St. Gobain	910	969	444
Paribas	405	530	488.50
CCF	107	125	132

\* Price per share in French francs.

## Firms Mobilize to Invest Abroad

**P**ARIS — French companies are not going to miss the chance that a declining dollar gives them to buy U.S. assets cheaply. For those companies with global ambitions, 1987 is likely to be a year of international, and particularly U.S., investment.

In order to internationalize their investments, these French companies will have to internationalize their capital and borrowing as well.

However, because of nationalism at home, French companies are not always as free as their foreign rivals to become truly multinational.

A sign of the times is the decision by Sanofi, a pharmaceutical and cosmetics firm quoted on the Paris stock market although it is two-thirds controlled by the oil company Elf-Aquitaine, to apply for quotation on the Swiss and West German markets as part of a capital increase in May. Sanofi hopes to win shareholders from Benelux and Britain as well as West Germany and Switzerland.

Its parent, Elf-Aquitaine, which is quoted on the Paris Bourse although it is controlled by the French government, plans to gain a listing this year on the New York Stock Exchange. This will be the first Big Board listing for a French parent company. But because Elf directly and Sanofi indirectly are controlled by the government, it is difficult to dissociate their management policies from government ones. Furthermore, even French private sector companies are limited in their internationalization.

French private sector multinationals, such as Lafarge or Club Mediterranée, already have their U.S. subsidiaries on the New York Stock Exchange.

Others, such as BIC Corp. or Liquid Air, subsidiaries of BIC and Air Liquide, are traded over-the-counter in the United States. These listings are either the result of marketing plays aimed at winning consumer support or result from takeover bids of listed firms.

But their parent firms, fearful of losing control to foreign investors, so far are not listed outside France.

Lafarge is a cement firm, which bought General Portland and in late 1986 for preferred stock the National Gypsum Alpena plant. It has important interests in biotechnology, partly in joint ventures with Aji-No-Moto of Japan.

Club Med runs holiday camps worldwide; BIC makes ballpoint pens, lighters and razors; and Air Liquide is the world's leading producer of industrial gases through the takeover of Big Three Industries in the United States last year.

Lafarge is being advised by Nikko Securities in its efforts to gain a listing this year in Tokyo. Other French firms that are said to be hoping to raise equity in Japan are Louis Vuitton, BSN, Moët-Hennessy, Air Liquide and Paribas, a recently denationalized bank. Before the French government took it over in 1982, Paribas was the only French firm with a Tokyo listing.

Another mark of the times is the increased internationalization of French bond market operations. In December, Rhône-Poulenc, a nationalized chemical company, helped pioneer the use of perpetual floating rate capital notes as a way of increasing capital without selling shares. It could not do this because it had already issued the 25 percent maximum in preferred shares allowed to state-owned firms under French law.

The issue raised \$300 million which, along with money market preferred stock raised in the U.S. domestic market, helped pay for the acquisition of the U.S. agricultural chemical subsidiary of Union Carbide.

There are important regulatory and psychological obstacles to worldwide capital-raising by French corporations. These obstacles hinder them in creating foreign subsidiaries, in worldwide research, in siting production where it is most rational to do so.

One problem is exchange controls, which cut the French market off from the international flow of both currency and capital. Although somewhat weakened, the system still interferes with major bond or share issues by French companies.

Foreign share or bond issues, intercompany loans, forward cover or prepayment of interest and principal payments on loans are subject to rules requiring prior notification of the French Treasury, and sometimes prior approval, queues, etc.

But exchange controls are only a symptom of a wider problem, the way the French government and unions, and ultimately industry, view the world. Inward investment in France is

closely monitored and often interfered with on trivial grounds. This was the case when a bid by Carlo de Benedetti for control of Vallo, a troubled auto parts manufacturer, was blocked because of national security considerations. A small part of Vallo's business is in making brakes for tanks.

If Rhône-Poulenc or another state-owned firm won permission to privatize its shares, only a maximum of 20 percent could be sold to foreigners under French law. This contrasts with the situation in most other European countries and the United States, where corporations seek to get government investors from getting a major stake.

Unlike Novo Industri of Sweden, Telefonica of Spain or Agniti of U.S., Dunlop, British or Japanese companies that are controlled by foreign investors, French multinationals corporations seek to get government investors from getting a major stake.

French unions and the government force companies to justify overseas investment by pledging that such an investment will create jobs at home. A decision to maintain a laboratory in the United States, such as Rhône-Poulenc is doing with a former Union Carbide facility in North Carolina, has been fought for. But a worldwide company cannot centralize research and development in France.

French companies typically account for their annual reports with figures about their net contributions to French exports, or the balance of payments. They give not only their foreign sales but also their foreign sales misfactured in France. Although these numbers are probably not accurate, this exercise in nationalism is a thing that few non-French firms would consider. For France it is typical.

Although other countries also practice job protectionism and may also interfere with direct investment on trivial grounds, the debate is different in France because no one in industry appears to be willing to tackle the philosophical sacred cows: mercantilism, protection of domestic jobs, doing research at home, selling goods or know-how abroad even at a loss, or keeping foreign investors from controlling a company.

Vivian Lewis

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## Le Pen Exposes Divisions in Rival Parties

Continued from page 9

There are many symptoms today of the early 1930s when the end of an economic crisis sparked up a rising tide of extremism — we have no right to allow development of hatred, racism, anti-Semitism.

Mr. Noir was reprimanded for so openly exposing the divisions within both the RPR party and its coalition partners, the Union for a French Democracy (UDF). But not before the damage was done. Mr. Noir's soul-searching statement set off a flurry to take sides on the question, with some seeing the expediency of trying to capture Mr. Le Pen's base of rightist voters and others, like Mr. Noir, arguing that such an approach only legitimizes extreme-right philosophy.

The incident will almost certainly be resolved with statements over the next few months reaffirming the conservative parties' refusal to form any partnership with the National Front. But Mr. Le Pen has already achieved much of his purpose — he has caused open disarray in the ranks of the traditional right and he has made his own ideas the center of debate.

The strain caused by the debate over Mr. Le Pen only adds to the existing problems within the conservative coalition over the choice of presidential candidates.

Mr. Chirac is virtually certain to run. Former Prime Minister Raymond Barre is also

considered a sure candidate. Former President Valéry Giscard d'Estaing has reluctantly pulled out of the race. But the young culture minister, François Léotard, is still a possible contender. If the possible candidates all decide to run, it would seriously fragment the rightist voting base, already splintered to some extent by Mr. Le Pen. Pollsters agree that that would inevitably help the Socialist Party.

The Socialist Party won a majority in the National Assembly in 1981 but lost to Mr. Chirac's coalition last year. It can take some comfort from the divisions in the rightist coalition. Socialist President François Mitterrand has recently surged ahead to take a convincing lead as the most popular presidential candidate. Yet that popularity may be an illusion.

Mr. Mitterrand is viewed as above the fray and a sagacious higher authority who has managed to govern for the past year with a conservative prime minister without compromising his Socialist principles.

"The Socialist experience since 1981 is perhaps the Socialists' greatest chance for success," Mr. Jaffré said. The French, even rightist voters, are no longer afraid of a left-wing government. They have seen it isn't that different from conservative governments. So the Socialists may benefit from their own experience as well as the divisions within the rightist make gains.

It is doubtful, though, that the more than 50 percent of the voters who rate him No. 1 would

actually vote for him for a second seven-year presidential term. Voters have trouble seeing what new program he would offer.

Also damaging Socialist chances is the fact that Mr. Mitterrand may not announce whether he will run until it is too late for other aspiring Socialists, such as the popular former agriculture minister, Michel Rocard, to prepare a campaign.

The Communist Party is the worst-placed of all the parties. Its leader, Georges Marchais, announced a year ago that he would not run for president after the Communists' dismal showing of 9.7 percent in legislative elections in 1986, compared to the 20 percent they received in 1978.

Much of that support may be going to the Socialist Party, which is unlikely to consider any leftist partnership with the Communists, such as the short-lived alliance they formed in 1981.

The Central Committee of the party recently gave the nod to the uncharismatic, early long-time party official André Lajoinie to run, in what many observers saw as a cynical move that will bolster Mr. Marchais's position as secretary-general of the party at the expense of any hope for electoral success.

**BRICID PHILLIPS** is a Paris-based journalist.



# Privatization Leads to Scramble for Share of Expanding TV Market

By Mark Hunter and Lise Bloch-Morhange

**ANTIBES** — Sitting barefooted on the upper deck of his yacht, Robert Maxwell, the British media magnate and owner of a 12 percent share in the newly privatized French television network TF1, was asked if it were true that he was negotiating with his putative business rival in the 5th network ("La Cinq"), Silvio Berlusconi, for joint investments in a European satellite TV channel and co-productions in Spain.

"I have written to Mr. Berlusconi," said Mr. Maxwell, "that he can't go on fighting so unreasonably against Bouygues and still remain a cooperator with me in Europe." He was referring to Francis Bouygues, chairman of Bouygues SA, one of the world's largest construction companies, and Mr. Maxwell's majority partner in TF1, with 25 percent of the capital.



Robert Maxwell, left, and Francis Bouygues, part owners of newly privatized TF1.

The practices that Mr. Maxwell considered unreasonable included "suggesting 10 times the going rate" in salaries for such former TF1 stars as the variety show hosts Patrick Sabatier, Stéphane Collaro and Patrick Sébastien.

They and others were hired by Mr. Berlusconi for La Cinq only days after the National Commission for Communication and Liberties chose the group of investors headed by Mr. Bouygues and Mr. Maxwell in a highly public competition to buy TF1 from the state for 3.5 billion francs (about \$583 million) on April 16.

These were only the latest developments in the French audiovisual scene. The situation was summed up by Pierre Lescure, director general of the Canal Plus cable TV network: "Do you realize what an obscene mess is going on here?"

Certainly, the good old days of French television are gone forever. They began with TF1, France's sole, state-owned network until 1964, when the state opened Antenne 2. In 1977 came FR3, also state-owned. Both FR3 and Antenne 2 are still state-owned. The private sector entered the scene only when Canal Plus's encrypted signal was sent to subscribers on Nov. 4, 1984, a date now regarded as the start of a revolution in the French media.

The revolution took a giant step on Feb. 20, 1986, when France Cinq, a network formed by the financier Jérôme Seydoux with Mr. Berlusconi, who runs

three networks in Italy through his Fininvest Communications company, came on the air.

France Cinq's charter, negotiated by the then-Socialist government, gave the network the right to broadcast off the city-owned Eiffel Tower. This infuriated Jacques Chirac, the mayor of Paris. The French film community was also horrified that, for the first time on French television, movies on France Cinq would be interrupted by commercials.

After the March 1986 election of a center-right parliamentary majority headed by Mr. Chirac's Rally for the Republic, and amid threats of lawsuits by Mr. Seydoux and Mr. Berlusconi, Prime Minister Chirac annulled France Cinq's concession last Aug. 2. He also annulled that of TV6, a music video network modeled on the American MTV, which had been established under the Socialists concurrently with France Cinq.

At that point, the newly created National Commission for Communication and Liberties was handed the job of parceling out the airwaves. On Feb. 27, the commission awarded France Cinq's frequency to a consortium led by the rightist publisher Robert Hersant, with 25 percent of the capital, and Mr. Berlusconi, also with 25 percent. (Mr. Berlusconi and other officials of La Cinq declined to be interviewed.)

The 6th channel was given—unlike TF1's assets, the airwaves for these networks were granted free—to an investment group dominated by the Compagnie Luxembourgeoise de Télédiffusion and the Lyonnaise des Eaux, France's largest cable TV operator.

Interruption of programs and films by commercials is now standard on TF1, La Cinq and M6. That was the first sign that a stable, state-owned television system had become an open battleground. At stake are the audience shares and advertising revenues on which the state networks, like the private sector, depend for operating funds and profits.

Though partly financed by a yearly tax paid by owners of television sets, Antenne 2 and FR3 also claim 2.2 billion francs in advertising revenue annually. This is nearly 30 percent of the 8.5 billion francs spent on TV advertising in France last year.

Antenne 2's advertising sales provide two-thirds of its budget, according to Jean Drucker, president of the network until he moved to the helm of M6 in March.

Similarly, though Canal Plus depends primarily on a monthly charge of 150 francs to its 1.8 million subscribers, Mr. Lescure acknowledged that 200 million francs of its revenues, covering 8 percent of the company's receipts and its profit of 115 million francs, were derived from advertising last year.

It is already questioned in the television community, and to some extent in the government, whether there is enough advertising money to support six broadcasters, especially in light of a recent government decision to ban the advertising of alcoholic beverages from the airwaves, a cut of 800 million francs from this revenue pool.

"There is room for all six channels if the financing of each is adapted to its nature," Mr. Drucker argued. "Canal Plus should get its resources from its subscribers."

Mr. Lescure replied that "we take only 2 percent of total advertising revenue."

Mr. Drucker continued, "The two public channels should be complementary in terms of programming, like BBC One and Two, and entirely supported by public funds. Then there would be enough advertising to support three commercial networks."

"Six networks can't live in the current system," said Antoine de Clermont-Tonnerre, chief executive officer of the Editions Mon-

diales media corporation, a minority shareholder in TF1. "If some sectors are forbidden to sell advertising, maybe."

Mr. Chirac advanced the idea of such a mixed system in April, suggesting that FR3 stop selling advertising time and be targeted toward a more selective audience, while Antenne 2 reduce its ad sales.

In September, the three private channels will unveil their new programs. TF1 and La Cinq will be direct competitors, aiming for a maximum of audience share. For technical reasons, such as outdated antennae, only one-third of French homes currently receive La Cinq, a figure the network hopes to upgrade to 85 percent by next spring.

M6 also only covers one French home in four. Its ambitions, however, are more restricted. Mr. Drucker hopes to expand his coverage to 24 million homes within the year.

The six channels will show 1,200 new and old movies this year, about 10 times France's annual output of feature films. Not coincidentally, last year French networks invested 205 million francs in film co-production and TV rights, nearly 10 percent of all investment in French cinema.

Aside from FR3, whose programs are regional and cultural, and Canal Plus, which depends on un-interrupted films and sports events and has thus earned a 94 percent subscription renewal rate, according to Mr. Lescure, the other networks have one ingredient in common—re-runs of American television series.

Moreover, national series pro-

duction cannot compete with U.S. reruns, either in quantity or in price to the networks. Once an American show is amortized in its home market, its rights can be sold in France for an average of 150,000 francs per hour.

Even the 600,000 francs per episode of "Dallas" that was paid this year by La Cinq is far below the average 4 million to 6 million francs required to produce an hour of TV fiction in France.

Industry leaders agree that it will be 5 to 10 years before European-produced series can compete with American ones. Two of the key elements, Mr. Lescure said, will be upgrading the low pay scale for TV writing in France and shifting production facilities from film to television.

Another will be the creation of a trans-European market for programs produced on the Continent, an idea Mr. Maxwell said, "whose time has come" and which is already exerting a powerful influence in France.

By February 1988, three communications satellites—TDF-1, Asura and Eutelsat—are projected for launch, permitting direct trans-continental broadcasting to homes equipped with satellite dish receivers and cable relay stations.

It is thus not surprising that in May the French Ministry of Culture and Communications negotiated co-production accords with West Germany's ZDF and ARD publicly owned networks and with the Italian state-owned RAI network.

A similar movement is occurring in the private sector. Canal Plus has announced the invest-

ment of 400 million francs in feature film productions, while Editions Mondiales has signed co-production contracts with Galaxy TV in Munich, Revcom in Australia and ABC in the United States.

The kicker in these gambles is that French broadcast regulations require networks to show a minimum of 50 percent of programs in which 25 percent or more of the production capital originated in France.

Since 1984 various interests have been pressing the European Community, with the support of the French government, to apply similar rules on a Continental scale.

"The idea is to cover Europe as quickly as possible," said Mr. Maxwell, adding that 1992, the date when trade barriers will be abolished within the EC, "is a lot closer than people think."

The rush outward from France concerns Mr. Lescure. He argues that neither a trans-continental advertising base nor a programming philosophy adapted to Europe's different cultures yet exists.

Yet Canal Plus is a candidate for a channel on TDF-1. The final choices will be made by June 15. The company is also working on a cable format, "halfway between Home Box Office and an American network," said Mr. Lescure. He said it "could be exported to England, Germany, northern Italy and Spain."

"It's now or maybe never," he added.

This exigency is at the core of the turmoil in French television.

**MARK HUNTER and LISE BLOCH-MORHANGE** are journalists who write frequently on European media and cultural affairs.



Following the Ordinary and Extraordinary General Meetings of Shareholders on May 26, 1987, the Board of Directors set the schedule for the capital increase, subscription to which is reserved to Compagnie Financière de Suez as well as to Société Générale, Paribas, B.N.P., U.A.P., and Crédi Lyonnais. The 2,516,000 shares, issued at F.F. 532 per share and representing F.F. 1,338.5 million in new equity, will be fully paid up on June 16th.

## FREE STOCK PURCHASE WARRANTS.

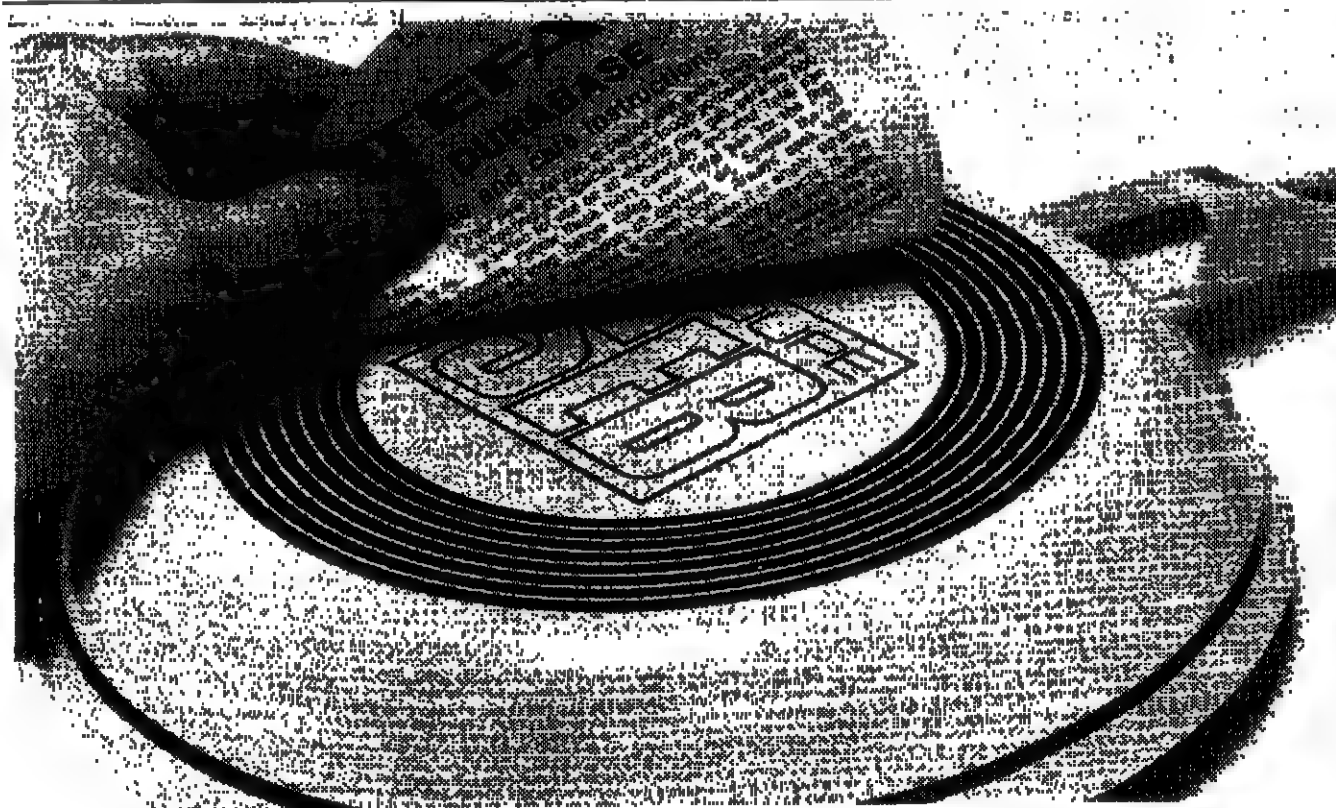
The Board of Directors, at a meeting scheduled for June 22nd, will decide on the distribution to all shareholders of free stock purchase warrants. The detailed terms and conditions will be announced at that time. These warrants will be listed on the stock exchange.

Warrants will be placed in reserve to preserve the rights of potential shareholders (in particular those who may exercise the 1985 C warrants or convert the 1983 French Franc-denominated or 1984 U.S. Dollar-denominated convertible bonds).

## DIVIDEND.

The Annual Shareholders' Meeting approved a dividend payment of F.F. 6.50 per share (plus tax credit), an increase of 12.1% over the dividend paid in 1986. The Meeting also decided that shareholders may opt for a dividend payment in shares at the price of F.F. 474 per share. The dividend coupon will be detached on June 23rd and paid on August 4th.

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Total Group Sales (MFF)	3,250	3,465
Net Income (MFF)	70	110
Earnings per Share (FF)	27	43

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For further details, ask for a copy of SEB Group's 1986 Annual Report in English from: Service Information, Groupe SEB, B.P. 172, 69132 Ecully Cedex, France. Telephone: 78 33 45 66. Telex: SEBLYON 370959.



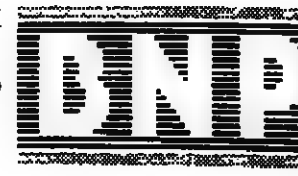
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# Does the Gastronomic Mystique Really Match Up to the Reality?

By Patricia Wells

**P**ARIS — Over the past two years, I have journeyed 50,000 kilometers throughout France, about 30,000 miles on high-speed trains and slow, mountainous roads, interviewing hundreds of men and women, discussing the elements that are basic to France's tradition of gastronomy. I have talked with Loire Valley goat farmers and Roquefort cheesemakers, Breton crêpe-makers and France's best chefs, scallop and lobster fishermen, certifiably insane bakers, escargot processors, sea salt rakers, walnut oil pressers, winemakers, cheese-agers, pig whole-salers, and two brothers who make a living growing zucchini blossoms.

Along the way I have worked alongside many of them — curing a 300-pound (136-kilo) pig, conserving foie gras, digging in icy soil to unearth black truffles, learning to distinguish edible wild mushrooms from the deadly ones. And in towns all along France's two coasts, I have gotten up in the middle of the night to greet fishermen as the sun came up, arriving with their catch of anchovies, sardines or fresh white tuna.

Wherever I went, I searched out the most authentic and the best, and this invariably brought me to the "small guys," the artisans, farmers and producers who work independently. As a consequence, I spent a lot of time in villages too small to rate their own postal code and I talked with Frenchmen far removed from the excitement of Paris and the glamour of the country's famous kitchens.

Throughout my journeys, I searched for answers to two basic questions.

The first was how, in this endlessly homogenized world, has France managed to retain its undisputed role as the maker, the shaper, the ruler of Western cuisine? Others challenge it — Italy notably has a joyous gastronomic tradition and there are remarkable tables in that sensuous country. And elements of American cooking are emerging in many noteworthy ways. But France's cuisine remains the stan-

dard by which all others are measured, to which all others are compared.

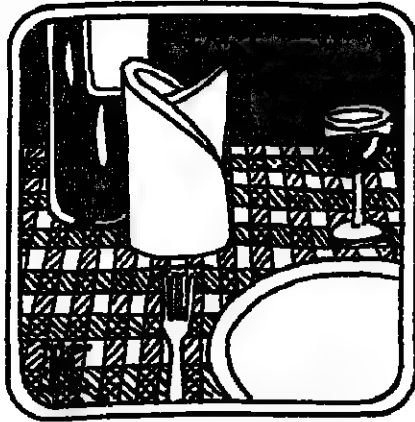
The second is, can all this continue? Already, in the decade or so I have been traveling and living in France, I have seen anonymous chain supermarkets — with their heads of lettuce slowed on the way to Paris so they could be individually wrapped and sanitized — squeeze out small vendors whose produce was fresher and far more aesthetic. I have watched the trend to cheeses whose taste has nothing over Velvetea, and I have mourned as neighborhood traiteurs and charcuteries disappeared in the favor of trendy, fast-food eateries.

As I carefully searched out, then documented, the gastronomy of contemporary France, I asked dozens of questions whose answers would reflect on these two big ones. All the while, I focused on the present rather than the past, on reality rather than the myths that have outlived the past.

In many ways, I began this project because, as a journalist trained to seek out the facts, I found myself constantly frustrated by the fact that so much of the "common knowledge" about French gastronomy was sheer invention. I discovered that the "primary source" for some of the authors I had respected turned out to be the Michelin Green guides, and their descriptions of methods and practices were poetry or fantasy, or just plain misinformation. In my staunchly journalistic way I was determined to avoid the appeal of mythmaking and to try to inform readers about how things are today rather than romanticizing the past.

Along with concentrating on the present, I operated on the premise that any cuisine has its source in the tastes and traditions of a nation, not simply in the kitchens of its elegant restaurants, and that its fields and vineyards are more important to preserving those tastes and traditions than its grandest chef. I don't know that I have arrived at final answers to my two questions, but I do have clues and leads, vivid impressions and, of course, opinions.

I quickly came to the realization that no matter how exhausted I was from getting up



Isabel Curi-Morales

early to greet a fisherman with his catch, or interview a baker as his first batch of bread went into the oven, the person I was interviewing probably worked much longer hours and much harder physically than I ever could. Moreover, the next day, the day after that, and the next year and the next decade, he would go back to that job with thoroughly unrestrained dedication.

And if there is one theme I heard time and again, it was the three simple phrases I heard repeated from Alsace to Brittany, Gascony to the Alps of Provence: "We do not count our hours. We love our work. We think that it has value." In part, that was because I was talking to "the little guys" — the men and women who themselves raise the mescal, who pick the grapes, cure the olives, dry the prunes, knead the bread, smoke the sausages, or age the cheeses that have come to mean, in our gastronomic minds, France.

For most of the people I talked with, their involvement with food is not a job. It is a passion, an emotion and involvement that lie somewhere between deep love and religious zeal. There is the fish chef who told me he

dreamed about fish every night, and who spends five hours each day in the market in Cannes, selecting each fish he serves in his restaurant. There's the Beaufort cheesemaker who rejects artificial insemination of his cows because, he insists, only contented cows give great milk. (Besides, he was so proud of his bull.)

These people aren't doing it for money, because they really don't earn a great deal, or for prestige, because farm work is short on that. They are motivated by unrestrained zeal for what they do and by centuries of tradition. I don't know that this sort of fascination, respect and knowledge will last forever. Industrialized food continues to make inroads in France, working to confuse the palate or even destroy it. And the market for processed, quick-and-ready food expands as — I regret to say it — French society becomes more Americanized.

There were times, of course, when searching out the little guys was not enough. Good intentions, hard work and low-grade flour will still make bad bread. Cheese made from milk that has been pumped, chilled, churned and reheated just won't turn out as well as cheese made from milk still warm from the cow. And even the cheese that is made with this wonderfully fresh milk won't taste wonderful unless it has been given time to age.

Despite such negative factors, regional cuisine is alive and well and even enjoying a resurgence. Throughout the country authentic, regional restaurants are thriving while their flashier homogenized competitors struggle for a clientele.

In the Savoy you can still find restaurants serving an honest *fruits* of tiny fish fresh from the alpine lakes. Along the French-Spanish border, near the village of Céret, there is a restaurant that still serves a traditional *corgolade*, a wonderfully hearty assortment of snails, pork sausages, lamb and blood sausage, all grilled over an open fire fed with vine cuttings. In Normandy's markets, that day's catch of shrimp still squiggles in the fishmonger's bins,

and great brasseries nearby still prepare them *à la minute*.

You can still get daubed-out in Provence, lobstered-out in Brittany, eat your fill of goose hearts in Gascony. There is no paucity of great regional fare, just the time and the temperament to seek these places out.

Another encouraging aspect is that gastronomic history is not being forgotten. The *Levi's* Tatin at the Hôtel Tatin in Lamotte-Beuvron may not merit a special trip, but it really is pretty good. And if you do go there to dine, you can see the stove where those sisters supposedly "invented" that wonderful upside-down apple tart.

Quality is a tradition in French cuisine, and the French respect for both quality and tradition will help protect the nation's gastronomy for a long time. Which is not to say it will be preserved intact.

In my travels I have encountered a variety of deceptions, situations that are not quite what they seem. It may be something as small as the fact that the majority of the truffles preserved in the Périgord actually come from the other side of France, in northern Provence. These "cans of worms" — the label on the file I put them into as I worked on sorting them out — add up to a basic, disappointing discovery: Many of the products that have made French cuisine famous no longer come from France. That foie gras you rave about in Michelin-starred restaurants? There's a 75 percent chance it came from Hungary, or Poland or Israel. Those luscious escargots? Probably from Hungary. The frog's legs? From Yugoslavia. The brochet in your quenelles? Canada. The mustard grain in your Dijon mustard? From Kansas.

Authenticity of origin is a hard question to deal with. Were the products better when they were French? No doubt they were. Food is invariably better the closer it is prepared to its source. But how much better? My decade here isn't enough for me to answer that.

Scallops from Ireland, mussels from the Netherlands and olives from Spain may not destroy French cuisine or end its traditions.

But the effects of the contemporary economic order are shattering some aspects of regional gastronomy.

The economic cooperation brought about through the European Community has indisputably raised living standards throughout Western Europe. But the EC's agricultural policy is leading to a steady, irreversible industrialization of farm practices.

Inevitably, this will mean that the price difference between a farm-raised chicken from Bresse and a factory-produced one will drive all but the most committed Bresse poultry farmers out of business. That a *poulet de Bresse* will become as rare as caviar and just as unaffordable is truly lamentable.

Yet, basically I came away from my research with my optimism intact. In another generation, I doubt there will still be farmers in the mountains of Cantal, milking their cows by hand, living in stone shacks that lack electricity and running water (but not a telephone). But the tradition of making good cheese will still be alive. Old Tante Paulette and Tante Yvonne won't be feeding us their *poulet au vinaigre* or *daube provençale*, but someone will come along to fill their shoes.

Certainly, frozen food sections will grow in supermarkets, that drive-in baguette shop I saw in Avignon will no doubt breed offspring, and there's no question that McDonald's and Love Burger are here to stay.

But a good percentage of the authentic, dedicated food people I've met over the past two years will be around to see the new century in, and I'm convinced that the passions of men like Paris's baker Lionel Poilâne and Lyon's chocolate-maker Maurice Bernier will only get us on through just a little bit longer, but inspire successors who are determined not to let their teachers down.

PATRICIA WELLS is the International Herald Tribune's restaurant critic and author of the just published "Food Lover's Guide to France" (Workman).

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## SOCIÉTÉ GÉNÉRALE

## Defense Is Moving Closer to Europe

Continued from page 9

strength in conventional armament and the French nuclear deterrent as "complementary."

Less known have been the extensive discussions between the French and British chiefs of staff on the feasibility of forging Europe's only two independent nuclear forces into a single deterrent extended to all Europe.

Another idea involves the reinvigoration of the West European union as a means of sidestepping the thorny legal problems created by France's special status within NATO. Relations between individual European nations and NATO will then be modified on a bilateral basis.

"We are a long way from a coordinated European defense," French strategist General Jean-Paul Lacaze said, adding that the new Soviet disarmament proposals, "by raising the specter of an American disengagement from Europe, are pushing us faster in this direction than before."

A survey published in April by the French newsweekly L'Express showed that the French public and the strategists are thinking along similar lines.

Eighty-eight percent of those polled favored the creation of a joint European defense system, while 54 percent wanted to bring West Germany into a European nuclear deterrent force.

"One thing is certain," wrote the editorialist, Jean-Paul Figeasse, France's "splendid nuclear isolation is over."

There are many signs of a gradual, de facto reintegration of France into NATO, not the least of which is the extent to which the French have been consulted in the attempt to arrive at a joint NATO response to the "double zero" option.

After meeting with the NATO defense ministers of the nuclear planning group in Norway, the chairman of the joint chiefs, Admiral William J. Crow Jr., came to France on May 16 to meet with French military leaders.

The French have consistently refused to allow their nuclear deterrent to be included in the U.S.-Soviet negotiations and have long held that disarmament talks should begin by a 50 percent reduction in the strategic arsenals of the two superpowers before the French would even consider joining negotiations.

Still, Mr. Mitterrand welcomed the offer of Mikhail S. Gorbachev, the Soviet leader, to eliminate medium-range and short-range missiles from Europe, as long as the process were "balanced and controlled." But he was careful to make the French position contingent upon Bonn.

The French have long been wary of any Euro-missile deal. Their major fear has been the decoupling of Europe from the United States.

"The smaller the U.S. nuclear presence in Europe, the weaker the U.S. link," top French officials said. "Conventional weapons simply do not couple the U.S. to Europe. Nuclear weapons do."

These officials recently were able to evaluate the Soviet proposals firsthand during Mr. Chirac's visit to Moscow in May.

"The Soviets want to drive a wedge into the Atlantic alliance and break off West Germany as something special, something separate," they said. "Our position has always been to stop the Soviets from dividing Europe."

This is why we have opposed all offers of a denuclearized zone in central Europe and the temptation of a reunified, neutral Germany.

They see Mr. Gorbachev's "zero-zero" option as part of a larger Soviet strategy. The Soviets are going for an agreement on medium-range missiles as a means of drawing off attention from the extremely rapid modernization of their strategic nuclear forces, the officials said.

Today France spends more than 4 percent of its gross national product on defense, and most experts agree that this is about as high as it will go.

Even though it sums up about 30 percent of the total defense budget, nuclear deterrence is considered cheaper in both political and economic terms than maintaining a large standing army, and it has been given priority status by successive administrations.

Critics of this strategy, such as former Air Force General Edouard Copel, believe instead that France should begin to seriously upgrade its conventional forces "because the French president won't push the nuclear button" in the event of a conventional or a chemical attack.

The problem of the growing conventional imbalance in Europe in favor of the Warsaw Pact is at the heart of every disarmament discussion. Those who oppose eliminating nuclear weapons point out that they have kept the peace for 40 years and that their absence would open the door to Soviet adventurism.

The French have never favored disarmament agreements for their own sake, and their reaction to the zero-zero proposals is no exception. Any disarmament agreement "must increase security, not decrease it," Mr. Mitterrand and Mr. Kohl recently agreed.

The answer now proposed by NATO strategists to the growing Soviet conventional and chemical threat is the so-called "emerging technologies initiative."

This involves developing extremely expensive, long-range weapons, radar sensors and sophisticated communications, command and control systems that will act as "force multipliers" to compensate for NATO's numerical inferiority.

The French have come up with their own solution — the neutron bomb.

"By adding the neutron bomb to our panoply," Defense Minister André Giraud said last year, "we hope to dissociate these two very different tasks: destroying a conventional threat and issuing a pre-strategic warning."

Mr. Giraud's low-keyed announcement that France would use the neutron bomb in response to a Soviet armor attack went virtually unnoticed in France and is unlikely to arouse the type of emotional outcry that forced President Jimmy Carter in 1979 to abandon the neutron bomb's deployment in the United States.

If nothing else, the French have one extraordinary advantage over their NATO partners: their national consensus on defense policy is almost total.

KENNETH R. TIMMERMAN, associate editor for the Washington-based Journal of Defense and Diplomacy, is the author of "Fanning the Flame," a study about arms sales to Iraq and Iran.







**NASDAQ National Market**

OTC Consolidated trading for week ended Friday, May 23

[illegible]

## Mutual Funds

figures as of close of trading Friday  
May 29

[illegible]

## American Exchange Options

Figures as of close of trading Friday.

[illegible]



# New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	and week	Terms
<b>FLOATING RATE NOTES</b>						
TOPS Series 3	\$110	1992	0.35	100.10	—	Over 6-month Libor, Noncallable, Fees 0.15%, Denominations \$250,000.
BJ Australia Bank	Aus\$ 200	1992	0.45	100.15	—	Below the 3-month Bank Bill rate, First coupon will be 0.40 below the 6-month BBL, Redeemable at par on every coupon payment date, Fees 0.15%, Denominations Aus\$1 million.
<b>FIXED-COUPON</b>						
All Nippon Airways	\$100	1997	9%	101 1/4	97.25	Noncallable, Fees 2%.
Coastal	\$ 50	1992	11 1/4	100 1/4	98.25	Noncallable, Fees 1 1/2%.
Ford Motor Credit	\$250	1990	8%	101	99.75	Noncallable, Fees 1 1/2%.
Inf Finance Corp.	\$ 50	1997	9%	100	—	Noncallable private placement, Denominations \$100,000.
Bank of Greece	DM 150	1992	5%	100	99.20	Noncallable, Fees 2%.
Bank of Greece	DM 150	1995	6%	100	99.25	Noncallable, Fees 2 1/2%.
Rhone-Poulenc Commercial Finance	fr. 50,000	1992	10%	100	97.88	Noncallable, Fees 1 1/2%.
Parabank Finance	DKK 300	1993	10%	100 1/4	98.38	Noncallable, Fees 1 1/2%.
Fuji Bank (Luxembourg)	ECU 40	1992	7%	101 1/4	99.80	Noncallable, Fees 1 1/2%.
Région Rhône-Alpes	ECU 50	1994	7%	100 1/4	99.80	Noncallable, Fees 1 1/2%.
Telestar Canada	CS 75	1994	10%	101 1/4	99.75	Noncallable, Fees 1 1/2%.
Hamburgische Landesbank	Aus\$ 75	1992	zero	54 1/4	52.88	Yield 13.38%, Noncallable, Proceeds Aus\$40.5 million, Fees 1 1/2%, Denominations Aus\$10,000.
<b>EQUITY-LINKED</b>						
Asics	\$ 50	1992	open	100	99.00	Coupon indicated at 2%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 3.
Coeur d'Alene Mines	\$ 50	2002	6	100	98.50	Callable at 103 in 1990, Convertible at \$26.55 per share, Fees 2 1/2%.
Daiichi	\$100	1992	open	100	99.00	Coupon indicated at 2%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 1.
Daiwa House Industry	\$300	1992	open	100	106.50	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 2.
Eagle Industry	\$ 17	1992	open	100	96.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 2.
Ericsson	\$ 40	2002	open	100	99.00	Coupon indicated at 6% to 7%, Convertible at or indicated 18 to 22% premium, Fees 2 1/2%, Terms to be set June 1.
Fukuroka Sogo Bank	\$ 50	2002	open	100	102.00	Semiannual coupon indicated at 10%, Convertible at an expected 2% premium, Fees 2 1/2%, Terms to be set June 4.
Hyogo Sogo Bank	\$100	2002	open	100	102.00	Semiannual coupon indicated at 10%, Convertible at an expected 2% premium, Fees 2 1/2%, Terms to be set June 4.
Kyowa Hakkio Kogyo	\$150	1992	1%	100	110.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 142.95 yen per dollar, Fees 2 1/2%.
Mitsubishi Petrochemical	\$150	1992	open	100	105.75	Coupon indicated at 10%, Noncallable, Each \$10,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 4.
Mitsubishi Plastics Industries	\$ 50	1992	open	100	101.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 1.
Ogden	\$ 85	2002	6	100	—	Convertible at \$74 per share, at 16.42% premium, Fees 2 1/2%.
Seika	\$ 32	1992	2	100	100.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 445 yen per share and at 145.08 yen per dollar, Fees 2 1/2%.
Sekisui Plastics	\$ 40	1992	open	100	100.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 4.
Shinetsu Chemical	\$100	1992	open	100	105.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 3.
Shiroki	\$ 35	1992	open	100	100.00	Coupon indicated at 2%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 1.
Sumitomo	\$400	1992	1 1/4	100	99.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,200 yen per share and at 144.85 yen per dollar, Fees 2 1/2%, Increased from \$300 million.
Takara Standard	\$ 50	1992	open	100	98.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 3.
Tabu Railway	\$100	1992	open	100	104.00	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 4.
Tosai	\$ 50	1992	open	100	98.50	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 2.
Tokyo Rope Manufacturing	\$ 50	1992	open	100	97.75	Coupon indicated at 2 1/2%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 2.
Yamanashi Printing	\$300	1992	open	100	100.75	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 3.
Yakult Honsha	\$ 80	1992	open	100	102.50	Coupon indicated at 10%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium, Fees 2 1/2%, Terms to be set June 4.
<b>WARRANTS</b>						
Berliner Handels-und Frankfurter Bank	0.125	1990	—	\$42	—	Warrants giving the right to buy \$500 at a fixed exchange rate of 1.82 marks per dollar.

## Czechoslovak, Hungarian Loans Put East Bloc in Spotlight

By Carl Gewirtz  
International Herald Tribune

PARIS — Eastern Europe took center stage in the international credit market last week with Czechoslovakia setting a new low on borrowing charges for an East-bloc country while Hungary accepted an increase in its loan costs. Czechoslovakia used its status as an infrequent borrower and the least indebted country in the area to achieve a lower cost of finance than even the Soviet Union, which bankers regard as the most creditworthy of the East-bloc nations. Bankers grudgingly acknowledged that the terms were fair, albeit aggressive. But they said the reduction in charges was also partly a show of force by the lead manager, Creditanstalt of Austria, which opened a representative office in Prague last week.

Czechoslovakia will pay 1/2 point, or 12 1/2 basis points, over the London interbank offered rate for its \$200 million, 10-year loan. The lowest charge for the Soviet Union to date has been 1/2 point over Libor for eight years. Front-end fees are about identical at 35 basis points. Data published by the Organization for Economic Cooperation and Development estimate Czechoslovakia's gross debt in convertible currencies last year at \$4.5 billion and its net debt (after subtracting deposits with Western banks) at \$3.4 billion.

Its debt service ratio of 20 (measuring interest and amortization payments in relation to export earnings) is the lowest in the area. Industrial obsolescence, slow economic growth and contracting market shares for its exports are major problems that are expected to lead to a more active international borrowing program, but even with that anticipated pick-up

the debt burden is expected to remain modest.

Hungary, by contrast, is the area's third-largest debtor — behind Poland and the Soviet Union — but the key debt service ratio, at 60, is second only to the 67 scored by Poland.

A recent OECD report observed that "unlike other East European countries, Hungary has made essentially no progress in reducing its debt burden in 1981-86. By the end of 1986, debt and debt-related indicators were already near or at their

### INTERNATIONAL CREDIT

tolerable limits," a situation not expected to change unless there is an improvement in its trade competitiveness.

The terms on its \$400 million loan are designed to reflect this deterioration in credit standing. Interest on the eight-year loan is set at 1/2 point over Libor. It previously paid 1/4 point over Libor. Front-end fees total a hefty 72 basis points, with 12 basis points paid on the underwriting commitment and 60 paid on the actual amount taken by participating banks.

The increase in the interest charge is ostensibly being ascribed to the larger size of the loan, double that of the previous operation. In an effort to create an aura of scarcity, the Hungarians are also saying that this will be their principal international borrowing this year, but few take that to mean it will be the country's only borrowing.

The banks arranging the loan are the heavyweights of the world — Morgan Guaranty (an infrequent lender to Eastern Europe), Deutsche Bank, Arab Banking Corp., National Westminster and Long-Term Credit Bank of Japan.

## Prices Up on Expectation Of Stability for Dollar

By Michael Quir

NEW YORK — Note and bond prices rose modestly Friday as credit market participants were encouraged by prospects that stability in the dollar might continue. Japan's announcement of a major new economic stimulus package with more government spending and lower taxes helped bolster

summit," said Thomas Campbell, a vice president and foreign exchange trader at the First National Bank of Chicago. He said that trading in the foreign exchange market had been quiet the past few days, and the dollar could move up or down this month, depending on results of the meeting of industrialized countries June 8-10 and the U.S. trade data for April to be published June 12.

The Japanese fiscal package is part of the prescription economists say is needed to help reduce the U.S. trade deficit and stabilize the dollar. Stronger economic growth in Japan would raise demand for imported goods, and lessen the reliance of Japanese companies on exports.

Late Friday, the closely watched 84 percent Treasury bonds due in 2017 — a benchmark issue that sets the direction for corporate bonds and mortgage rates — rose about 1/4 point and were offered at 101 7/32, to yield about 8.64 percent.

### U.S. CREDIT MARKETS

hopes that the dollar might continue trading at about Friday's rate of 143.75 yen and 182 1/2 Deutsche marks.

Fluctuations in the dollar continue to be closely monitored in the bond markets, where traders and investors assume that weakness in the U.S. currency portends lower bond prices. They worry that declines in the dollar result in more inflation as prices of imports rise at the same time as foreign investors are discouraged from buying more American bonds.

"The dollar appears to be in a trading range that can be held at least until after the June economic

### U.S. Consumer Rates

	May 29
Three Month Bonds	8.85 %
Best Buy 1-Year Index	8.85 %
Money Market Funds	8.85 %
Domestic 3-Month Average	8.85 %
Bank Money Market Accounts	8.85 %
Bank Rate Money Index	8.85 %
Home Mortgage, FHLS average	10.47 %

Source: New York Times

## EUROBONDS: The U.S. Currency's Rebound Spreads Cheer in Markets

(Continued from first finance page)

Credit Suisse First Boston, "is a period of stability for the dollar which removes the immediate risk of sharp exchange rate losses."

A big uncertainty is what the Japanese do. The Ministry of Finance's request for daily foreign exchange reports has halted currency speculation. But as Western Europe becomes increasingly hostile to the rising flow of imports from Japan there could be a retaliation in the currency market pushing the mark up against the dollar and the yen. It has already risen against the yen, currently at 78.39 yen, up from 77.52 at the end of April.

While last week's events fueled a rally in the U.S. domestic bond market, cutting yields on long-term bonds to some 40 basis points below their recent peaks, the buying was restricted to the huge, liquid domestic market. That set a better mood in the dollar sector of the Eurobond market, but there was not much real buying.

Ford offered \$250 million of three-year notes — a short maturity that investors favor. But the size of the issue was large relative to the tight demand and the pricing, while adequate at some 68 basis points over the yield on comparably dated U.S. Treasury paper, was not compelling. The paper ended the week at a discount of 1 1/2 points, just outside the 1 3/4 percent commission paid to underwriters.

This was a sterling performance compared with 10-year bonds offered by All Nippon Airways. The paper was priced at some 78 basis points over Treasury yields, not enough to compensate for the long maturity and it ended the week down 3 1/4 points — well outside the 2 percent underwriting fees.

Coastal Corp., a Texas-based energy company, offered \$50 million of five-year paper priced at 300 basis points over Treasury yields — a reflection of its "junk bond" status. The company's debt is rated double-B, a notch below the cate-

gory that is considered the lowest investment grade.

"The low rating and the small size tells you that this is a public issued private placement, giving the company the publicity of doing a deal," said one London banker.

However, in light of the tremendous appetite from retail investors for high coupon bonds — as shown by the continuing demand for Australian dollar paper — bankers questioned whether the Coastal issue signaled an opening of the dollar junk-bond market here.

In the non-dollar markets, the 300 million DM of bonds issued by the Bank of Greece found favor with the shorter five-year paper better received than the eight-year portion.

Bankers reported very little demand for paper dominated in European currency units or Italian lire. The pound remained out of favor as investors awaited the outcome of the coming election and the possible post-election entry of the pound into the European Monetary System.

The real action last week was in the equity-linked sector, which saw an avalanche of issues from Japanese companies.

Sumitomo, which a week earlier offered \$300 million of bonds carrying an indicated coupon of 1 1/4 percent, increased the amount to \$400 million as the when-issued price soared to more than 104 and then cut the coupon to a record low of 1 1/4 percent.

There were scattered rumblings about greedy pricing as the paper settled down to a price of 99, but bankers said that there were no cancellations of orders.

The star performers of the week were Kyowa Hakkio, a high-tech pharmaceutical company whose \$150 million of 1 1/4 percent bonds issued at par climbed to 110, and Tabu Railway, whose \$100 million of bonds expected to bear a coupon of 1 1/4 percent, traded at 105. Tabu's attraction is its huge land

holdings available for development.

The expected boom in the housing industry gave a boost to Daiwa House Industry, which traded at a premium of 6 1/4 percent.

Mitsubishi Petrochemical was in demand, trading at a 5 1/4 percent premium, as was Shinetsu Chemical, with a 5 percent gain.

Not all the issues had such easy sailing. Yamachi Securities, lead manager of a \$50-million bond for Asics, a sporting goods maker, bought back in price support operations more bonds than it had tentatively allocated to underwriters.

By the end of the week, Yamachi was refusing to assure underwriters how much paper they would finally receive. This could set the stage for a wicked bear squeeze if banks that sold paper they do not have are forced to cover their short sales by buying paper from the lead manager.

Overall, Japanese warrant-bond issues have been the most profitable part of the Eurobond market so far this year. Underwriting fees of 2 1/2 percent are larger than on straight bonds and the paper is most often sold at a substantial profit.

Bankers report that the bulk of the stock warrants wind up in the hands of Japanese investors. For the past months foreigners have been net sellers of Japanese stocks.

Net sales in April totaled \$1.98 billion, down from the \$2.9 billion recorded in March. Bankers Trust last week showed what happens to the low-coupon warrant bonds after the stock options have been detached. It amassed at very substantial dis-

counts \$159.8 million of Japanese bonds — 89 percent of which were either rated triple-A or guaranteed by a bank — and with a swap repackaged the paper into a \$110 million of five-year floating rate notes bearing interest at 15 basis points over the London interbank offered rate.

With Citicorp and Chase increasing their loan-loss provisions and increased concern about developing countries' ability to continue servicing their debt, FRNs of U.S. banks again came under pressure. Traders said that subordinated paper was the worst hit.

### Treasury Bonds

Maturity	Bid	Ask	Yield	Wk. ago
31.3.89	100 1/2	100 1/2	7.69	7.94
15.2.90	99 1/2	99 1/2	7.92	8.21
31.3.91	99 1/2	99 1/2	8.04	8.30
15.5.92	100 1/2	100 1/2	8.16	8.45
15.4.94	99 1/2	99 1/2	8.33	8.62
15.1.96	100 1/2	100 1/2	8.47	8.77
15.2.98	105 1/2	105 1/2	8.74	9.03
15.1.16	101 1/2	101 1/2	8.64	8.91

Source: Salomon Inc.

### SELECTED U.S./F.T.E. QUOTATIONS

	BID	ASK
Bitter Corp.	1 1/4	1 1/4
Chiron	33 1/4	33 1/4
GoodMark Foods	14	14 1/4
MAG Holdings	3 1/4	3 1/4
NAVAR	3 1/4	3 1/4
Spectrodyne	43 1/4	43 1/4

WITH COMPLIMENTS OF  
CONTINENTAL AMERICAN  
These are indicative prices as of May 29, 1987

supplying grants to builders.

### NOTICE OF REDEMPTION



## European Investment Bank

US\$ 100,000,000

9 1/8% 1978-1993 Bonds

NOTICE IS HEREBY GIVEN that, in partial satisfaction of the redemption provisions of the Terms and Conditions of the Bonds, the Issuer has purchased US\$ 7,989,000 principal amount of Bonds to be redeemed on July 1, 1987. In order to complete the annual sinking fund installment of July 1, 1987, the Fiscal Agent has selected US\$ 2,001,000 principal amount of Bonds, bearing the following Serial Numbers, for redemption and payment on July 1, 1987 (the "Redemption Date"):

From	To	From	To	From	To	From	To
0001	0081	0662	0671	1171	1196	1704	1711
0087	0160	0692	0741	1201	1296	1714	1715
0111	0188	0760	0761	1276	1315	1719	1722
0196	0203	0777	0806	1318	1374	1724	1735
0212	0228	0806	0817	1379	1380	1737	1742
0239	0246	0820	0838	1391	1394	1750	1767
0252	0258	0845	0855	1406	1400	1771	1789
0294	0310	0858	0865	1431	1469	1796	1797
0330	0349	0871	0894	1471	1482	1818	1827
0361	0380	0899	0913	1487	1519	1823	1859
0383	0384	0919	0982	1525	1531	1851	1859
0401	0417	0941	0945	1535	1554	1858	1862
0417	0421	0950	0952	1580	1582	1849	1862
0429	0432	0970	0973	1584	1585	1868	1876
0436	0474	0988	1044	1587	1588	1882	1883
0484	0496	1075	1087	1624	1643	2014	2045
0501	0506	1088	1155	1646	1653	2067	2069
0520	0515	1159	1161	1689	1702	2136	2209

The Redemption Price of 100% of the principal amount of the Bonds to be redeemed will be paid on or after the Redemption Date upon presentation and surrender of the Bonds, together with all coupons maturing after July 1, 1987, at the office of the Fiscal Agent or any of the Paying Agents listed therein. The coupons maturing on the Redemption Date should be submitted for payment in the usual manner. On and after the Redemption Date, interest on the Bonds hereby called for redemption shall cease to accrue.

European American Bank  
Fiscal Agent

June 1, 1987

## KfW 1986 — Summing up another very successful year

Promoting the German Economy and Developing Countries

### Highlights of KfW's Balance Sheet

	billion DM	1986	1985
Balance sheet total	93.6	85.8	
Loans granted	86.0	79.1	
Banking liabilities	67.7	64.5	
Bonds	12.1	7.9	
Capital and reserves	3.5	3.3	

KfW's activities in 1986 again focused on the promotion of the German economy, with emphasis on small and medium-sized enterprises, environmental protection, and the export industry. Development assistance funds appropriated by the Federal Government were increasingly used to finance small-scale projects in Africa.



## SEVEN: Group Has Daunting Goal

(Continued from first finance page) on the dollar, and discuss what action, if any, to take.

The countries have already put into effect one feature of the broader concept of policy coordination. They have been setting ranges for currency exchange rates, a partial step back to the system of fixed exchange rates that prevailed from 1944 until the early 1970s.

A range of 150 to 160 Japanese yen to the dollar was established at a meeting of Mr. Baker and the Japanese minister, Kiichi Miyazawa, last September, and it held for several months. New ranges for the yen and for the Deutsche mark were set at a seven-country meeting in February. The ranges were reconfirmed in April, and despite periodic turbulence, those ranges are holding.

For all this progress, the most important component of an attempt to coordinate economic policies has yet to be demonstrated: a willingness to alter fiscal policies, governing taxation and spending.

So far, the countries have been willing only to alter monetary policies, mainly interest rates. In the year that the ministers have been working together, the three key countries, the United States, Japan and West Germany, have rebuffed appeals to act on fiscal policies.

Washington wants Bonn and Tokyo to stimulate domestic growth by cutting taxes and raising domestic spending and investment. This would reduce their reliance on the exports that have contributed to the gaping U.S. trade deficit, and might mute the protectionist chorus in Congress. West Germany and Japan, like the other countries at the table, want the United States to do the opposite — raise taxes and so reduce the budget deficits that they believe cause the trade problem, among others.

A witness to the ministerial meetings, who, like others, spoke on the condition that he not be named, described an example of these conflicts in the meetings.

The IMF, he said, might argue that growth in West Germany and Japan is slow and inflation under control, so conditions permit cutting taxes or increasing public spending or taking other actions to foster domestic growth.

"So," the witness recounted, "Stoltenberg says, 'I think the IMF is being much too cautious. My forecast is much better and we put very high priority on price stability and besides we're politically committed to what we have.' And the Japanese say, 'We cannot pass our present budget, and I have some sympathy for what you are saying but that's not the mood in Japan and I cannot do anything.'"

"And the IMF says, 'The United States ought to reduce its budget deficit. That's absolutely fundamental.' And Baker says, 'I certainly agree with that! I'm all in favor

of reducing the U.S. budget deficit. We'll write that into the communiqué, once again.'"

The nations believe that nothing would work any better than the system they are trying to develop. Three times — from 1879 until 1914, in the 1920s, and after World War II — countries tried to link management of the world economy to gold prices. If inflation in a country rose, lowering the value of a currency, the country usually had to make hard adjustments in economic policies.

The gold-based systems collapsed in World War I, during the Depression, and during the inflationary burst of the late 1960s, when countries found such policy changes too onerous to make.

In the periods between the gold-based systems, countries usually allowed their currencies to "float" in the marketplace. Currencies began floating in the early 1970s when the nations rejected the belt-tightening policies required to stop inflation.

Finance ministers from the United States, Japan, West Germany, France and Britain convened periodically then, but they never made noteworthy agreements or issued communiqués. They mostly "talked, ate and drank sherry," said one. Karl Otto Pöhl, the West German central banker, has said that when other countries were concerned about the roaring dollar, the U.S. position was, "It's our currency and your problem."

Two years ago, attitudes changed as the dollar's rise began penalizing the U.S. economy and momentum began building for protectionist legislation. These factors persuaded Mr. Baker that the dollar had become a liability.

The Group of Five — without Canada and Italy — began laying the plans that led to the Plaza Hotel agreement on Sept. 22, 1985, saying that they would work to push down the dollar, which by then had already begun to slide.

"That was an ad hoc step toward this process of policy coordination," said an economist who prepares materials for the group's economic projections. The dollar kept falling, which he said "created an air of euphoria," persuading the countries that they could collaborate in dealing with more complex problems as well.

Nigel Lawson, Britain's Chancellor of the Exchequer, "does all the talking for the British" and takes great interest in editing the communiqués, a participant said.

Witnesses say Canada's finance minister, Michael Wilson, is an affable but infrequent participant, while Italy's Giovanni Goria is among the more loquacious.

"Even if they do nothing," said an economist at a central bank, "the world economy is better off because they are aware of the implications of doing nothing."

## Spot Oil Prices Could Fall After OPEC Meeting

Reuters

NEW YORK — Plans by OPEC ministers at their Vienna meeting in late June to press for agreed upon output increases while keeping prices tied to an \$18-a-barrel benchmark could mean falling spot oil prices later this year, oil industry analysts say.

Recent statements from several OPEC countries, including the group's largest producer, Saudi Arabia, indicate that the \$18-a-barrel benchmark agreed to at OPEC's meeting last December will be left unchanged. But analysts point out that if the Organization of Petroleum Exporting Countries goes ahead with plans also reached in December to increase oil production later this year, the recent fall from highs of almost \$30 a barrel for spot oil almost surely will continue.

Partly in anticipation of such increased output, the U.S. benchmark crude, West Texas Intermediate, lost 40 cents a barrel last week to fall as low as \$19.25. It closed Friday at \$19.38 for July delivery.

After the December meeting, when delegates crafted a production accord limiting output to 15.8 million barrels a day and mandated a return to fixed prices, oil prices went on an extended five-month rally, gaining more than \$5 a barrel.

But that accord also set provisional ceilings of 16.6 million barrels a day for the third quarter and 18.3 million barrels a day in the fourth.

Analysts emphasize that OPEC's tendency in the past to produce more than the mandated quota foreshadows lower prices.

OPEC says "their quota is 15.8 million barrels per day in the second quarter," said Albert Anton, an oil analyst with Carl H. Pforzheimer & Co., "but that really means they are producing about 16.6 million barrels a day when you count Iraqi production" and the Kuwaiti Neutral Zone.

"If they follow the December agreement to increase quotas," he said, "it will hike output

to 17 to 17.5 million barrels a day and markets cannot tolerate that."

Analysts said if OPEC had given up on an official price increase and wished to prevent further erosion in crude prices, then it must turn its attention to curbing production.

"There is a clear majority within OPEC which does not want the prices raised for the rest of the year," said George Friesen, an analyst with Dean Witter Reynolds Inc.

At the head of the coalition supporting stable prices sits Saudi Arabia, whose King Fahd said last month that he wanted prices stable for at least two years. Analysts said the Saudi position is not likely to change or be trimmed.

Sanford Margoshes, an oil industry analyst with Shearson Lehman Brothers Inc. in New York, said he expected OPEC to push production toward 17.5 million barrels a day in the third quarter, but without necessarily eroding spot prices because demand may increase to take up the slack.

## SANOFI: Elf Subsidiary Credits Flexible Structure for Unabated Growth

(Continued from first finance page) company's extraordinary attitude for timely and profitable investments is Sanofi's decentralized structure.

Designed to maintain a careful balance between freedom to maneuver for divisional managers abroad and a cogent policy-setting headquarters in Paris, it is Sanofi's unusually flexible management structure that accounts for the company's rapid expansion and diversification.

"Every sector manager is also a member of the company's general management team," Mr. Dehecq explained. "With this system in place, one of our managers who is on the spot in Brazil, for instance, can spot a good investment and seize it on his own initiative. It then becomes his or her problem — he must see that it works."

Ironically, some of Sanofi's competitors view the company's comparatively liberal organization as being to their advantage.

The director of marketing strategy for Rhône-Poulenc, France's largest pharmaceutical producer and Sanofi's chief domestic rival, said Sanofi's lack of discipline and tightly regulated international management was its primary weakness.

"We have a good deal of respect for Sanofi," he said. "They are a young company that has done much in a short time. But we don't consider them a major threat to our business. They simply are not as well equipped on an international level as many other companies in the industry. They do not dominate any market now and probably won't for some time."

Mr. Sautier agrees, almost.

"It has never been our intention to dominate any market," he said.

"Rather, we prefer to focus our efforts only on very particular areas within a given market in which we are the strongest. It won't do to turn out second-best products just in order to gain a bigger stake in a field as a whole."

Sanofi's interests in the seed and grain industry, for example, are focused almost exclusively on refin-

ing an austerity program already under way and putting into effect what Mr. Sautier referred to as "instant-reflex measures" (namely, more aggressive sales campaigns). Sanofi was able to post a net profit of 495 million francs at the end of the year, for an overall increase of 3 percent.

"Because of the way our general

**Health research "is imperative for the future. And if you know what you're doing, it can be profitable as well."**

— Jean-François Dehecq, Sanofi vice president

ing a particular hybrid sunflower seed for use both as a food product and for producing seed oil. In 1985 Sanofi took control of Dahlgren & Co., a U.S. sunflower seed producer.

Dahlgren's annual profits thereupon jumped 5 percent to \$22.5 million. The acquisition also afforded Sanofi a commanding position in the world market for sunflower seeds.

In addition to accommodating Sanofi's omnivorous appetite for growth, its dynamic managerial ethic — which the bimonthly French business magazine L'Expansion called "the briskly and brilliantly conducted policy" of acquisition combined with incredible organization — has proven itself in times of trouble as well.

In the first half of fiscal 1986, for instance, Sanofi reported a 17 percent drop in consolidated income compared with the previous year, primarily because of the sudden fall of the dollar. But by intensify-

management is set up, we all felt the burden of deciding what the company should do," Mr. Dehecq said. "It wasn't just the two of us — he motioned toward Mr. Sautier — 'who sat up here in this office issuing orders.'"

Sanofi, which employs more than 18,000 people in 20 countries, is divided into three principle branches: Health, bio-industries and perfumes/cosmetics. These are further divided into dozens of sub-sectors, which make products as diverse as a growth hormone for dwarfs to a test for the AIDS virus.

The AIDS test, known as Elavia, was developed jointly by the French company Diagnostics Pasteur, in which Sanofi holds controlling interest, and a U.S. company, Genetic Systems. It won U.S. Food and Drug Administration approval in 1986 and is now sold in the United States and 60 other countries.

Integral to Sanofi's strategy for

international growth is investment in research and development. Sanofi, which consistently spends more than the industry average in this area, budgeted 1.3 billion francs for it in 1986, a 200 million franc increase over the previous year.

"The effort to discover better ways of treating such problems as strokes, cancer and nervous system disorders is imperative for the future," Mr. Dehecq said. "And if you know what you're doing, it can be profitable as well."

Matched against the heavy emphasis Sanofi places on attaining relatively short-term objectives and maintaining flexible management, Sanofi's plans for the future are strikingly general: increasing international sales, especially in the United States; increasing productivity; and continuing a commitment to research and development, according to Mr. Sautier.

"Some planning for the future is important — it's something every company must do," he said, "but without the ability to adapt quickly and effectively to the present — especially in a world economy that now can change overnight — there really is no future to speak of."

In keeping with its efforts to expand outside France, Sanofi, whose shares have been traded on the Paris Bourse since 1979, announced in April the sale of an international stock issue with shares priced at 100 francs each. The shares will be offered in all countries except the United States and France.

Industry analysts do not view the offering as signaling a move toward denationalization, though Elf Aquitaine, a government-controlled firm, is Sanofi's largest single shareholder, with holdings of about 60 percent, it is expected to maintain its stake at about that level.

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\* In these countries, hand delivery is available on major cities on the publication date. For details and rates, please check here and fill in your address.

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Belgium	Bfr.	11,000	6,000	3,300
Denmark	Dkr.	2,500	1,400	770
Finland	Fmk.	1,700	950	520
France	Ffr.	1,500	800	460
Germany	Drm.	800	320	175
Greek Isles	Dr.	130	72	40
Greece	Dr.	22,000	12,000	6,600
Ireland	Eir.	150	82	45
Italy	Lira	380,000	210,000	115,000
Luxembourg	Lfr.	11,500	6,300	3,400
Netherlands	R.	650	360	198
Norway	Nkr.	1,800	990	540
Portugal	Esc.	22,000	12,000	6,600
Spain	Ptas.	29,000	16,000	8,800
Sweden	Skr.	1,800	990	540
Switzerland	Sfr.	510	280	154
Rest of Europe, North Africa, Eastern Europe, Middle East	—	450	250	135
Rest of Africa, Gulf States, Asia	—	500	280	155

LAST BOOKING FOR BEIJING '87..LAST BOOKING FOR BEIJING '87..LAST BOOKING FOR BEIJING '87..LAST BO

# HEAR THE CHINESE GOVERNMENT'S PLANS FOR THE FUTURE

Premier Zhao Ziyang, Vice Premier Li Peng and the State Council of Ministers have given their personal support to the first ever International Marketing Congress to take place in China — Beijing '87. — With over 47 sessions and more than 100 internationally renowned speakers and 63 countries represented, Beijing '87 is a truly International event.

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## Den Norske Bank Calls Halt To Spree of Lending at 16%

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## SPORTS

## Yankees Down A's, 9-5, as John Wins 3rd Straight

Compiled by Our Staff From Dispatches  
**NEW YORK** — Willie Randolph and Henry Cotto drove in three runs apiece Sunday to help Tommy John win his third straight start and lead the New York Yankees to a 9-5 victory over the Oakland Athletics.

The Athletics' loss broke the team's four-game winning streak.

John, 5-1, went six-plus innings, allowing two runs on five hits. The veteran left-hander walked one and struck out none in gaining his 269th career victory to move into 26th place on the all-time win list ahead of Baltimore's Jim Palmer.

A's rookie first baseman Mark McGwire belted two solo homers. McGwire's third two-homer performance of the season gave him 15 homers for May. He also has an American League-leading 19 homers, leaving him one shy of the major-league record for homers over the opening two months of a season held by Mickey Mantle.

The game drew 55,034, the largest

nonopening day figure in the major leagues this season.

Dennis Eckersley, 3-4, making his second start as an Athletics' last-5th inning, allowing six earned runs.

Randolph's two-run homer capped a four-run second inning for New York. With the score tied 1-1, Dave Winfield led off with a single and Mike Pagliarulo followed with a double, sending Winfield to third. Eckersley hit Joel Skinner with a pitch to load the bases.

Bobby Meacham hit into a force at second, scoring Winfield with the go-ahead run. Cotto bounced out to short, allowing Pagliarulo to score. Randolph followed with his homer to center field to make it 5-1.

Brewers 7, Indians 1: In Cleveland, home runs by Dale Sveum, Robin Yount and Greg Brock powered Milwaukee over the Indians. The victory was only the Brewers' fourth in the last 22 games. Cleveland has lost six of its last seven. Juan Nieves, 4-2, went 8½

## SUNDAY BASEBALL

innings, allowed six hits, struck out five and walked five to get the victory.

Twins 9, Tigers 5: In Detroit, errors by second baseman Tom Brookens and third baseman Darrell Evans permitted two runs to score in a three-run eighth inning that sparked Minnesota over the Tigers in the first game of a doubleheader. Detroit had a five-game winning streak and nine-game home winning streak snapped.

Mariners 5, Orioles 5: In Baltimore, John Moses had four hits and Jim Presley homered to lead Seattle over the Orioles. Rookie Lee Guetterman, making his first start of the season, ran his record to 2-0 since being called up from Calgary on May 21. Moses, who has hit in five straight games and has 10 hits in his last 22 at-bats, had a triple and a double in his first two appearances, then added a pair of singles. He also stole two bases.

Phil Bradley drove in three runs and Presley, who hit his third homer in two games, drove in two for the Mariners, who completed a three-game sweep of the Orioles.

Blue Jays 7, Angels 2: In Toronto, George Bell homered for the Blue Jays and drove in three runs to back John Cerutti's four-hitter, sending California to its ninth straight loss. Toronto put the game away in the fifth inning with a five-run outburst. The Angels, the defending American League West champion, have won just twice in their last 14 games. The team is within two losses of tying its record for most consecutive losses set in 1974. Bell had 11 homers and 31 runs batted in during May, both Toronto records for a month.

Astros 8, Cardinals 7: In the National League, in St. Louis, Phil Garner delivered a two-run double to complete a four-run sixth inning that propelled the Houston Astros over the Cardinals. Houston starter Jim Deshaies, 4-2, pitched 5½ in-

nings and needed the help of five relievers to earn the victory. Dave Smith went two innings for his eighth save. St. Louis starter Greg Mathews, 2-4, lasted 5 2-3 innings in making his first start since being recalled Saturday from the Cardinals' Triple-A affiliate, Louisville of the American Association.

Reds 5, Pirates 2: In Pittsburgh, Dave Parker hit his 12th home run of the season to snap a 2-2 tie and Ted Power scattered seven hits over eight innings to lead Cincinnati over the Pirates, extending Pittsburgh's losing streak to six games. The Reds swept the three-game series and have won five of their last six games and nine straight at Three Rivers Stadium.

Braves 2, Cubs 1: In Atlanta, Gerald Perry singled in the winning run with two outs in the 10th inning to push the Braves past Chicago. The victory went to Gene Garber, 7-3, who replaced starter Doyle Alexander after nine innings.

(UPI, AP)



## Tyson Flattens Thomas to Retain Heavyweight Titles

Pinklon Thomas struggled to regain his feet after being decked by Mike Tyson in the sixth round of their bout Saturday night in Las Vegas as his trainer, Angelo Dundee, right, leapt into the ring to stop the fight. Tyson, at 20 the youngest heavyweight champion ever, knocked out Thomas, 29, with a right uppercut and a left hook. Tyson improved his record to 30-0 with 27 KOs and kept his World Boxing Council and World Boxing Association crowns; he will try to unify the three heavyweight titles Aug. 1 against Tony Tucker, the International Boxing Federation champion.

Bob Schenker/The Associated Press

## Grand Slam by Davis Lifts Reds

Compiled by Our Staff From Dispatches  
**PITTSBURGH** — Eric Davis hit his 19th home run of the season, a grand slam in the third inning, and Bill Gifford pitched a six-hitter over eight innings here Saturday night to help Cincinnati beat Pittsburgh, 6-2.

The 19 homers for Davis are a National League record for the months of April and May, breaking the mark of 18 shared by Fred Williams of the 1923 Phillies, Willie Mays of the 1964 Giants and Tony Perez of the 1970 Reds. The major-league record of 20 was set by Mickey Mantle of the 1956 Yankees.

Davis has four career grand slams and three in May, setting a league record and tying the major league mark for most in a month (shared by Detroit's Rudy York in 1938, Detroit's Jim Northrup in 1968 and Larry Parrish of Texas in 1982).

## SATURDAY BASEBALL

run double to cap a three-run third that carried the Cardinals to their third straight victory.

Phillies 3, Dodgers 0: In Los Angeles, Kevin Gross struck out three and walked one for his second complete game and first shutout of the year, and Von Hayes tripled home two runs to lift Philadelphia. The shutout was preserved by left fielders Mike Easler and Greg Gross. Easler leaped above the fence to snare Mike Marshall's home run bid in the sixth; Gross replaced Easler in the eighth, and that inning made a circus catch on the warning track of a Marshall drive.

Expos 6, Giants 4: In San Francisco, Tim Lincecum hit a three-run homer and drove home five runs to pace Montreal. The loss extended the Giants' losing streak to five games overall and eight straight at home. Winner Floyd Youmans struck out 12 in seven innings.

Cubs 11, Braves 4: In Atlanta, Shavon Dunston went 4-for-5 with three RBIs and Jody Davis and Ryan Sandberg homered to help Chicago past the Braves, 4-3. The Cubs pounded out a season-best 19 hits.

Mets 3, Padres 0: In San Diego, Sid Fernandez scattered five hits in his first shutout of the year to lead New York to its fifth straight victory. The Padres have in a row, their longest since 1984.

Brewers 6, Indians 5: In the American League, in Cleveland, B.J. Surhoff singled home Cecil Cooper from second base with one

out in the 10th, ending a six-game losing streak for Milwaukee, which has lost the season's 13-0.

Blue Jays 4, Angels 3: In Toronto, reliever Gary Lucas walked Rob Ducey with two outs and the bases loaded in the 10th to lose the game for California. Toronto starter Jimmy Key took a no-hitter and shutout into the seventh, but lost both as the Angels rallied from a 3-0 deficit to tie the score.

White Sox 3, Red Sox 2: In Chicago, Harold Baines doubled home Jerry Rousey from first with two outs in 10th to give the White Sox their first three-game home winning streak of the season.

Athletics 4, Yankees 3: In New York, Tony Phillips hit a two-run double to complete a three-run sixth-inning rally that lifted Oakland.

Mariners 12, Orioles 0: In Baltimore, Mike Morgan scattered seven hits in his second career shutout and Jim Presley slugged two home runs to power Seattle. Dave Valle and Presley tagged back-to-back homers off Eric Bell in the fourth to give Morgan a 2-0 lead. Morgan notched his second career shutout and the first for Seattle this season.

Royals 12, Rangers 7: In Kansas City, Missouri, Bret Saberhagen became the first major-league pitcher in the majors this season and Thad Bosley and Kevin Seitzer each drove in three runs as the Royals downed Texas. Saberhagen, who barely lasted the minimum of five innings needed to earn the victory, gave up seven runs.

(UPI, AP)

## Evert, Navratilova, Graf in Quarters; Mecir Wins, Novacek Surprises Jaite

The Associated Press

**PARIS** — Defending champion Chris Evert moved into the quarterfinals of the French Open tennis tournament Sunday with a 6-3, 6-1 victory over Katerina Maleeva. She was joined by longtime rival and No. 1 seed, Martina Navratilova, who crushed No. 15 Silvia Hanika of West Germany, 6-0, 6-2, in 55 minutes.

On Saturday, West German teen-ager Boris Becker and Steffi Graf, the No. 2 seeds, survived mild scares in advancing to the fourth round, along with Jimmy Connors, at 34, the oldest player remaining in the men's draw.

Becker, twice a Wimbledon champion but without a title on clay, mixed powerful winners with impatient errors en route to a 6-1, 3-6, 6-2, 6-1 victory over Henrik Sundstrom of Sweden. After losing only five games in his previous three matches, Graf had to fight to oust Canadian Helen Kelesi, 7-6, 6-2.

In a men's fourth-rounder, Joachim Nystrom of Sweden led top-seeded Ivan Lendl of Czechoslovakia, 6-2, 1-6, 7-5, 0-4, when darkness halted play.

Evert, bidding to win this grand slam event for the eighth time and third year in a row, did not let a steady midmatch drizzle disturb her concentration as she overpowered the 12th-seeded Bulgarian.

"I still think Steffi is favorite," said the No. 3 seed. "I'm playing well, but you have to look at what a player has done for three to six months prior to the tournament, rather than the day before." Graf

elsewhere Saturday, Jimmy Arias, the only other American left in the men's draw, ousted Jorge Arrese of Spain, 6-4, 7-6, 6-2, 6-2. Arias next plays Becker, who he beat in the second round of last month's Monte Carlo Open.

"I think I have a chance," said the unseeded Arias, who reached the quarterfinals here three years ago. "He doesn't love twice in a row to too many people, but he hasn't been playing too well on clay this year."

Progressing to the women's quarterfinals were No. 7 Gabriela Sabatini of Argentina and No. 6 Manuela Maleeva of Bulgaria. Sabatini, who this year has twice beaten women's Navratilova, ended the run of South African Karen Schlimper, 6-4, 6-1. Maleeva downed American Stephanie Rehe, 7-6, 6-1.

Aranxa Sanchez, at 15 the youngest player in the women's draw, reached the last eight by downing Carina Karlsson of Sweden 6-1, 6-4. She is the first Spanish woman since 1931 to make the quarterfinals.

Advancing with Becker and Connors as the men finished their third round were No. 4 Mats Wilander of Sweden, No. 6 Yannick Noah of France, No. 11 Kent Carlsson of Sweden and nonseeded Ricki Osterlund of West Germany and Tarik Benhabiles of France.

Wilander, the best clay-court player in the world on current form, beat American Aaron Krickstein for the second successive year. Wilander, a winner at Monte Carlo and Rome in the last month, stumbled in the middle but otherwise dominated as he won 6-1, 6-7, 6-0, 6-2, his 14th victory in a row.



Unseeded Katerina Maleeva

has won 36 straight matches, stretching back six months.

Evert's next opponent will be the 14th seed, Italy's Raffaella Reggi, who registered a minor upset in eliminating fifth-seeded Helena Sukova of Czechoslovakia, 6-3, 4-6, 6-2, on Sunday.

Navratilova, who has not won a tournament since she had little to worry about as Hanika sprayed er-

## SCOREBOARD

## Baseball

## Major League Line Scores

## FRIDAY'S RESULTS

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